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MONOPOLY CAPITAL

PAUL A. BARAN
PAUL M. SWEEZY

Special 96-page issue

ELECTRONIC REPRODUCTION PROHIBITED

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by PAUL A. BARAN and PAUL M. SWEEZY

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NOTES FROM THE EDITORS

In the *New York Times* Book Review Section on Sunday, June 3, and again on the *Times* book page of the issue of June 5, we ran a large ad on the Eatherly-Anders book, *Burning Conscience*. As we go to press it is still too early to tell whether or not the ad will pay off. In addition, we have done a special mailing to bookstores, peace organizations, and selected lists. In short, we have done all we can to put this most persuasive argument for peace into the hands of Americans everywhere. Now you can help in a simple but effective way—tell your bookstore, library, peace organization, and friends about the book.

We pride ourselves on the quality of our *MR* Press list and, from the letters we receive about our books, it seems to be justified pride. One letter we particularly liked said, "I wait impatiently for each issue of the magazine, and enjoy every book I have ordered from you."

Four books we think you will enjoy, which are still available at bargain prepublication prices, are *The Empire of Oil* and *World Crisis in Oil*, by Harvey O'Connor, *Wellington Road*, by Margaret Lassell, and *Pride of State*, by J.P. Morray. For savings on these books see the box below.

Thanks once again to those readers who have responded to our appeal to "send *a one-year gift sub at the specially reduced rate of only $3 per year*, to begin with the September issue when the school season opens, to (1) your own alma mater—either your high school or college library, or (2) *any* school or college student." Most heartening response came from a California reader who wrote:

> I think your idea of reduced rates for schools and students is a step in the right direction. There is indeed a need for an

(*Continued on Inside Back Cover*)

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INTRODUCTION

The articles which form the contents of this issue are two chapters from a forthcoming work tentatively entitled *Monopoly Capital: An Essay on the American Economic and Social Order.* The first comes from near the beginning of the book, the second from near the end.

All the basic ideas of Marx's great work *Das Kapital* were formulated in the quarter century from 1840 to 1865. This was the heyday of competitive capitalism in Britain, then by far the world's leading economic power, and it was natural and inevitable that Marx should focus his attention on this system. In Marx's work, monopoly appears only occasionally, as a remnant of the mercantilist past or as a shadow cast by a future which he did not expect capitalism to live to see.

As it turned out, capitalism had more staying power than the early socialists attributed to it. In the two decades after Marx's death in 1883, monopoly, in the form of giant corporations linked together by a concentrated network of financial institutions, moved to the center of the economic stage. This momentous fact was recognized by Hilferding, and it was Lenin's genius to make it the foundation stone of his theory of imperialism which, in turn, became the core of the Marxian interpretation of 20th-century politics, international relations, and social and cultural development. Yet paradoxically enough, the impact of this profound economic transformation was felt least of all in what might have been thought to be the area most immediately affected: Marxian economic theory. Here, despite the pioneering work of Hilferding and Lenin, Marx's *Kapital* continued to reign supreme. Or, to put the point differently, the model of a competitive capitalist economy continued to serve as the basis of Marxian economic theorizing.

It is, we believe, time to break with this tradition. To follow Marx's own example, and to make the most fruitful use of his powerful analytical method, it has become necessary to shift the focus of attention. For the present stage of world capitalism, and most especially capitalism in the United States,

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differs in many *essential* respects from the competitive capitalism of old. The *prevalent* capitalist enterprise today is no longer the small firm producing a negligible fraction of a large mass of homogeneous products for an anonymous market; the business unit characteristic of the capitalist economy in our time is the large-scale enterprise responsible for a significant share of its industry's output, manufacturing and selling a product frequently clearly identified by name, and for all these reasons able to exercise a decisive influence on the volume of its output, the level of its prices, and the magnitude and timing of its investments. The fact that this monopolistic (or oligopolistic) concern has become the dominant entity in the modern capitalist economy has an overriding significance for an understanding of the system's *modus operandi.* To put the point in a nutshell: in an attempt to understand monopoly capitalism, monopoly cannot be abstracted from; it has to be put in the very center of the analytic effort.

The purpose of the work from which the two chapters published here are taken is to effect this necessary shift in the focus of attention from competition to monopoly. We are under no illusion that we will have succeeded in exhausting the subject. We have no such ambitious goal. What we do hope to do is help people to see things differently and more realistically, to highlight some of the central problems which need to be solved, and to indicate the direction which further study and thought should take.

The plan of the work as a whole, and the place which the two chapters occupy in it, can perhaps best be conveyed to the reader by a listing of the chapter headings. It should be understood that this is a tentative table of contents, subject to modification as the work nears completion. But neither the overall plan which it reflects nor the location of these two chapters will be significantly altered. The table is as follows:

(1) Introduction
(2) The Giant Corporation
(3) The Tendency of Surplus to Rise
(4) The Problem of Surplus Absorption: Consumption and Investment

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(5) The Problem of Surplus Absorption: The Sales Effort
(6) The Problem of Surplus Absorption: Government Spending
(7) The Problem of Surplus Absorption: Militarism and Imperialism
(8) On the Recent History of Monopoly Capitalism
(9) Some Implications for Economic Theory
(10) On the Quality of Monopoly Capitalist Society—I
(11) On the Quality of Monopoly Capitalist Society—II
(12) The Irrational System

The chapters which constitute this issue are those numbered (2) and (10). The first deals with the basic institution of monopoly capitalism, the giant corporation; the second describes some of the social and cultural consequences of this system. Each can be read by itself. But their full significance can be appreciated only when they are seen as an introduction to and corollary of the theoretical chapters which lie between them. For this reason, we supply the following desperately brief summary of the theme of the intervening chapters, hoping that it will aid the reader now and stimulate his interest in the fuller treatment to come.

Giant corporations typically act like textbook monopolists, having learned to coordinate their policies so as to maximize attainable profits. Concentration on lowering costs then leads to a steadily widening gap, at any given level of production, between output and socially necessary costs of production. This gap we call "surplus." The central problem of the book is to analyze the various ways in which surplus is absorbed. It is shown that the consumption and investment of corporations and their beneficiaries cannot possibly absorb an indefinitely increasing surplus at capacity levels of output and that failure to discover or provide other channels can lead only to depression and stagnation. In part, business does provide additional channels through an increasingly gigantic (and wasteful) sales effort. Government is also called to the rescue, and much space is devoted to showing how the structure of interests which characterizes monopoly capitalism diverts governmental efforts from socially useful channels into the destructive and ultimately dis-

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astrous activities of militarism and imperialism. The development of the theory of surplus generation and absorption along lines just indicated occupies Chapters 3 through 7. We next apply this theory to the interpretation of the history of American capitalism from the late nineteenth century to the present time, showing that it explains and places in proper perspective many phenomena which have baffled bourgeois economic science, most especially the Great Depression of the 1930's and the creeping stagnation of the later 1950's (Chapter 8). Some implications for economic theory are indicated in Chapter 9. The final chapters deal with the social and cultural consequences of an economic system which has mastered the techniques of unlimited production but which, because of the inner structure of private interests which determine its working principles, is unable, and must remain unable, to promote the well-being and happiness of those who live under it.

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THE GIANT CORPORATION

Scientific understanding proceeds by way of constructing and analyzing "models" of the segments or aspects of reality under study. The purpose of these models is not to give a mirror image of reality, not to include all its elements in their exact sizes and proportions, but rather to single out and make available for intensive investigation those elements which are *decisive*. We abstract from nonessentials the better to grasp the essentials, we blot out the unimportant to get an unobstructed view of the important, we magnify in order to improve the range and accuracy of our observation. A model is, and *must* be, unrealistic in the sense in which the word is most commonly used. Nevertheless, and in a sense paradoxically, if it is a good model it provides the key to understanding reality.

There are no rules for model-building, and, as the literature of economics attests, it is much easier to build a bad one than a good one—a bad model being one that abstracts from essentials and therefore leads to neither insight nor understanding. Nor are there any simple *a priori* tests by which a model can be judged. The proof of the pudding is in the eating. We can only start with intuitions, ideas, hunches; we can use them to separate the unimportant from the important; out of the residue of the important we can shape what look like the parts and elements of a system; we can assemble the parts and elements, refining and polishing as we proceed. When we finally get our model there is one test to which we must subject it: does it help to make sense of the real world? Or, to put the matter in another way, does it help us to see connections to which we were previously blind, to relate effects to causes, to replace the arbitrary and the accidental by the regular and the necessary? In a word, does it help us to *understand* the world and act in it intelligently and effectively?

These are the general ideas and aims by which we have been guided in constructing a model of the monopoly capitalist economy. It is not intended to be a simplified representation of the actual economy of any specific advanced capitalist coun-

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try or even of a composite of all advanced capitalist countries. Rather, it is intended to put at the center of the stage and play the spotlight on the essential features of all advanced capitalist countries, those features which, despite all diversity and underneath whatever overlay of detail, make the system what it is. And in order to accomplish this we start, for reasons which have already been sufficiently indicated in the preceding chapter, with an analysis of the typical unit of Big Business, the modern giant corporation.

Once again: we are not interested in realism of the photographic kind. There undoubtedly are corporations which correspond closely to the "ideal type"—to use Max Weber's expression—with which we shall be concerned, but the analysis would lose none of its relevance even if there were not. The point is that the decisive units of the economy are unmistakably moving toward a definite, recognizable pattern, and this pattern itself is much more important than any of the concrete approximations to it. A model of which the major component parts are corporations of the ideal type will display with sharpness and clarity what may appear in everyday economic life in a disguised, difficult-to-recognize, and easy-to-misinterpret form.

I

The corporate paradigm on which we wish to focus attention has a number of characteristic features, of which we may single out the following for specific mention.

(1) Control rests in the hands of management, that is to say, the board of directors plus the chief executive officers. Outside interests are often (but not always) represented on the board to facilitate the harmonization of the interests and policies of the corporation with those of customers, suppliers, bankers, etc.; but real power is held by the insiders, those who devote full time to the corporation and whose interests and careers are tied to its fortunes.

(2) Management is a self-perpetuating group. Theoretical responsibility to the body of stockholders is for all practical purposes a dead letter. Each generation of managers recruits its

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own successors and trains, grooms, and promotes them according to its own standards and values. The corporate career recognizes two characteristic forms of advance: rising from lower to higher positions within a given company, and moving from a smaller company to a larger one. The acme of success is the presidency or board chairmanship of one of the biggest corporations.

(3) Each corporation aims at and normally achieves financial independence through the internal generation of funds which remain at the disposal of management. The corporation may still, as a matter of policy, borrow from or through financial institutions, but it is not normally forced to do so and hence is able to avoid the kind of subjection to financial control which was so common in the world of Big Business fifty years ago.

II

What pattern of behavior can we expect from huge, management-controlled, financially independent corporations?

Formal economic theory has largely ignored this question, continuing to operate with the assumption of the profit-maximizing individual entrepreneur who has occupied the central role in theories of the capitalist system since well before the time of Adam Smith. Retaining this assumption amounts in effect to making another: that in all respects that matter to the functioning of the system the corporation acts like an individual entrepreneur.

If one stops to think about it, this seems unlikely on the face of it. Furthermore, while economic theorists have largely ignored the corporation, other social scientists have devoted much time and energy to its study. So far as we know, none of them has ever supported the proposition that the modern corporation is merely an enlarged version of the classical entrepreneur. On the other hand, there is a voluminous literature dating back to the turn of the century and reaching its culmination in the famous work of Berle and Means which argues most emphatically that the modern corporation represents a qualitative break with the older form of individual enterprise and that radically

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different types of behavior are to be expected from it. According to Berle and Means:

> It is conceivable,—indeed it seems almost inevitable if the corporate system is to survive,—that the "control" of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity.[1]

What Berle and Means described as "conceivable" a quarter of a century ago is taken for granted as an accomplished fact by many present-day observers of the business scene. Thus Professor Carl Kaysen of Harvard, in a paper delivered at the 1956 annual meeting of the American Economic Association, speaks of "the wide-ranging scope of responsibility assumed by management" as one of the "characteristic features of behavior" of the modern corporation, and proceeds as follows:

> No longer the agent of proprietorship seeking to maximize return on investment, management sees itself as responsible to stockholders, employees, customers, the general public, and, perhaps most important, the firm itself as an institution. . . . From one point of view, this behavior can be termed responsible: there is no display of greed or graspingness; there is no attempt to push off onto workers or the community at large part of the social costs of the enterprise. The modern corporation is a soulful corporation.[2]

According to this view, which is certainly very widespread nowadays, the maximization of profits has ceased to be the guiding principle of business enterprise. Corporate managements, being self-appointed and responsible to no outside group,

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1 *The Modern Corporation and Private Property,* New York, 1932, p. 356.

2 Carl Kaysen, "The Social Significance of the Modern Corporation," *American Economic Review,* May 1957, pp. 313-314. Cf. also M.J. Rathbone, President of Standard Oil of New Jersey, in the *Saturday Review,* April 16, 1960: "Managements of large companies must harmonize a wide span of obligations: to investors, customers, suppliers, employees, communities and the national interest. Thus the large organization may actually have a narrower range for its decision-making than the small, closely held corporation which is not so much in the public eye and hence not so exposed to criticism."

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are free to choose their aims and in the typical case are assumed to subordinate the old-fashioned hunt for profits to a variety of other, quantitatively less precise but qualitatively more worthy, objectives.

The implications of this doctrine of the "soulful corporation" are far-reaching. The truth is that if it be accepted, the whole corpus of traditional economic theory must be abandoned, and the time-honored justification of the existing social order in terms of economic efficiency, justice, etc., simply falls to the ground. This has been most effectively pointed out by Professor E. S. Mason, also of Harvard:

> But if profit maximization is not the directing agent, how are resources allocated to their most productive uses, what relation have prices to relative scarcities, and how do factors get remunerated in accordance with their contribution to output? Assume an economy composed of a few hundred large corporations, each enjoying substantial market power and all directed by managements with a "conscience." Each management wants to do the best it can for society consistent, of course, with doing the best it can for labor, customers, suppliers, and owners. How do prices get determined in such an economy? How are factors remunerated, and what relation is there between remuneration and performance? What is the mechanism, if any, that assures effective resource use, and how can corporate managements "do right by" labor, suppliers, customers, and owners while simultaneously serving the public interests?[3]

Economists have made no attempt to answer these questions, and indeed it is doubtful whether it even makes sense to ask them in relation to an economy such as Mason assumes, that is to say, one made up of or dominated by a few hundred soulful corporations. Prices and incomes would be indeterminate, and there would be no theoretically definable tendencies toward equilibrium. To be sure, economic life in such a society might settle down into routines and patterns which could be analyzed by historians, sociologists, statisticians, etc., but it seems reasonably clear that today's economic theorists would be out of a job.

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3 E. S. Mason, "The Apologetics of 'Managerialism,'" *The Journal of Business*, January 1958, p. 7.

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One school of thought, associated especially with the name of Professor Herbert A. Simon of Carnegie Institute of Technology, seems already to have drawn these conclusions and is attempting to study the big corporation and its implications by means of what they call "organization theory." According to this theory, corporations do not try to maximize anything but merely to achieve "satisfactory" results. Thus, to the maximizing behavior which was assumed to characterize the old-fashioned entrepreneur, Simon contrasts what he calls the "satisficing" behavior of modern corporate managements. At the annual meetings of the American Economic Association in 1956, a paper by Simon expounding this view was answered by Professor James Earley of the University of Wisconsin who had been engaged for a number of years on a study of the management policies of a sample of large and successful American corporations. Summing up a wealth of carefully collected and analyzed empirical material, Earley had little difficulty in disposing of Simon's theory; what is more significant from our point of view is that he went on to give a most useful and illuminating description of how modern corporate managements really behave. This statement is so good that it seems worthwhile to rescue large parts of it from the untitled obscurity of the Economic Association's *Papers and Proceedings*. After noting some points of agreement and others of minor disagreement with Simon, Earley proceeds as follows:

I have more serious reservations concerning what appears to be the major economic theorem Simon arrives at; namely, that the business enterprise looks for merely satisfactory solutions of its problems and specifically seeks merely satisfactory profits. That his approach has led so directly to this conclusion is one of the facts that makes me especially doubt that it is a satisfactory one. Whatever may be true of individuals or of other types of organization, I cannot square Simon's "satisficing" behavior with the behavior of the large-scale American business firm. I agree that the conventional notion of profit maximization and of general "optimization" must be modified. I contend this is carrying the change much too far. Let me briefly catalogue the main types of evidence that lead me to reject the "satisficing" postulate.

(1) As a part of my research, I have made a study of recent management literature, both general and specialized, one of my

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hypotheses in doing so being that this literature will reveal the frames of reference and mores of advanced business management. A striking characteristic of this literature (except where public relations is an evident objective) is its systematic focus on cost reduction, the expansion of revenue, and the increase of profits. There is, of course, much reference to standards and to the need of remedying unsatisfactory situations. The drive is always toward the better and frequently the best, not just the good. Like Samuel Gompers' ideal union leader, the exemplary man of management seems to have "More!" for at least one of his mottoes.

(2) Secondly, my questionnaire studies of the practices and policies of leading so-called "excellently managed" companies lead me toward generally similar conclusions. I have published the major results of the first of these studies and will not review them here.[4]

(3) The third fact that makes me doubt Simon's postulate as applied to the firm is the rapidly growing use of economists, market analysts, other types of specialists, and management consultants by our larger businesses. The main function of most of these people is to help the firm reduce costs, find superior methods, choose the most profitable alternatives, and uncover new profit opportunities. As these sophisticated gentlemen gain in influence in business councils—and I confidently believe they will—profit oriented rationality is likely to be more and more representative of business behavior.

(4) Most of all I am impressed by the rapid development of analytical and managerial techniques that both stimulate and assist the business firms to find the least costly ways of doing things and the most profitable things to do. Operations research and mathematical programming are only the more fancy of this growing genus. There are also greatly improved forms of accounting and budgeting, improved methods of market analysis, refinements in business forecasting, and interesting types of nonmathematical programming. The unifying character of these new techniques is that they seek to apply the principles of rational problem-solving to business planning and decision making.

Let me conclude by briefly sketching the notion of business

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4 The reference is to James S. Earley, "Marginal Policies of 'Excellently Managed' Companies," *The American Economic Review,* March 1956.—P.A.B. & P.M.S.

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behavior that seems to be emerging from my own studies. It falls somewhere between the old postulate of profit maximization and Simon's "satisfactory profit." It fully recognizes the limited informational and computational resources of the firm. It also incorporates his suggested concept of the "aspiration level" and a modified principle of "viability." My behavioral postulate could best be briefly described as "a systematic temporal search for highest practicable profits."

The theory underlying it runs, very briefly, as follows:

The major goals of modern large-scale business are high managerial incomes, good profits, a strong competitive position, and growth. Modern management does not view these goals as seriously inconsistent but rather, indeed, as necessary, one to the other. Competitive strength and even survival, management believes, require large innovative and substantial growth expenditures in the rapidly changing technical and market conditions of the present day. Since growth by merger is hazardous and frequently impossible, large and more or less continuous capital expenditures are necessary. For well-recognized reasons, management wishes to minimize outside financing, so the funds for most of these expenditures must be internally generated. This requires high and growing profits above dividend levels. So, too, do high managerial rewards. High and rising profits are hence an instrument as well as a direct goal of great importance.

With these goals and needs in view, advanced management plans for profit through time, using coordinated programs stretching as far ahead as practicable. The profit targets incorporated in these programs are sufficient to finance not only good dividends but also desired innovative and growth expenditures. The programs are revised frequently, as experience accrues and new opportunities are discovered.

The tendency toward profit maximization (i.e., highest practicable profit) appears in this system along several dimensions. In the process of revising and reformulating programs, more expensive and less profitable activities are pruned or dropped and cheaper or more profitable ones are added. Less costly processes and the more profitable product and market sectors serve as the standards toward which others are expected to converge or be replaced. By steadily selecting those methods and sectors that promise better returns, these standards are kept high and, if possible, rising. Finally, the overall profit and growth targets of the enterprise as a whole are raised through time, unless adversity prevents.

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These goals and programs and standards, it is true, represent at any time certain "aspiration levels," and the efforts to satisfy them receive prime attention. But the two major points about them are that (1) they are likely to be hard to reach and (2) they will ordinarily recede (i.e., grow larger) through time. Even in good times the firm's aspiration levels, therefore, are fairly taut, and they are highly elastic upward. On the other hand, there is great resistance to adjusting profit and other standards downward, so that in bad times the business firm tries even harder to make the highest practicable profits.

I readily agree that I have sketched the behavior of what might be called the "exemplary firm" rather than the firm that is quantitatively representative of the present business population. But my main point is that the management techniques and the *expertise* that can validate my notion are developing rapidly, are increasingly being made available to business, and are being rapidly adopted by leading firms. Consequently, I suspect, the exemplary firm will be the representative firm of the future. If so, its behavior will be more rather than less appropriately analyzed by some of our time-honored theoretical notions, such as profit maximization. . . .[5]

Two aspects of this admirable statement call for comment. First, it introduces a healthy corrective to what Earley calls "the conventional notion of profit maximization and general 'optimization.' " This conventional notion has been tied to a more or less explicitly stated assumption that the maximizing entrepreneur has complete knowledge of all alternatives open to him and of the consequences of choosing any combination of them. Given this assumption, he can always select the combination of alternatives which yields an absolute maximum. Further, if it is assumed that his knowledge remains equally complete in the face of changing conditions, it follows logically that he can always make instantaneous and appropriate adjustments to new circumstances. What is involved here is an assumption of omniscience on the part of the entrepreneur, which, far from being a useful abstraction, is of course an absurdity. In practice, to be sure, economists have usually given a more sensible meaning to the maximization principle, but by failing expressly to repudiate the omniscience postulate, by failing to spell out what is and what

5 *American Economic Review*, May 1957, pp. 333-335.

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is not involved in the assumption of profit maximization, they have left themselves vulnerable to attacks of the kind mounted by Simon. It is therefore valuable to have Earley's carefully considered statement. By stressing the "limited informational and computational resources of the firm," he makes clear that no assumption of complete knowledge is involved, and his entire argument is based on the rejection of any idea of an absolute maximum or optimum. The firm (whether individual entrepreneur or corporation makes no difference) always finds itself in a given *historical* situation with *limited* knowledge of *changing* conditions. In this context it can never do more than *improve* its profit position. In practice, the search for maximum profits can only be the search for the greatest *increase* in profits which is possible in the given situation, subject of course to the elementary proviso that the exploitation of today's profit opportunities must not ruin tomorrow's. This is all there is to the profit maximization principle, but it also happens to be all that is necessary to validate the "economizing" behavior patterns which have been the very backbone of all serious economic theory for the last two centuries.

The second aspect of Earley's statement which we want to emphasize, and the one most relevant to our present purpose, is the convincing demonstration that the big corporation, if not more profit-oriented than the individual entrepreneur (he quite properly leaves this question open), is at any rate better equipped to pursue a policy of profit maximization. The result is much the same: *the economy of large corporations is more, not less, dominated by the logic of profit-making than the economy of small entrepreneurs ever was.*

It might be thought that this is enough to dispose of the soulful corporation and at the same time to justify the procedure of those economists who have altogether ignored the rise of the corporate form of enterprise and continued to reason in terms of the individual entrepreneur. This is not so, however, and for two reasons: First, the alleged soulfulness of the corporation relates not only to its attitude toward the *acquisition* of profits but also to its attitude toward the *utilization* of profits, and there is still much to be said on the latter subject. Second, there are undoubtedly differences between individual enterprise and corp-

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orate enterprise which have little to do with the goal of profit maximization but which still are of great importance for economic theory. But before we take up these topics it will repay us to probe somewhat more deeply into the motivational and behavior patterns of corporate managements.

III

The big corporation came into its own in the second half of the nineteenth century, first in the fields of finance and railroads, spreading to industry around the turn of the century, and later invading most other branches of the national economy. In the typical case, the early corporate giants were organized by—or, as a result of merger, failure, or other emergency, soon fell under the control of—a class of financier-promoters who have become famous in American history as "robber barons," "moguls," or "tycoons"—all terms reflecting the popular feeling that the American Big Businessman of that period resembled the feudal lord in his predatory habits and lack of concern for the public welfare.

The center of the business world in those days was not the corporation but the tycoon,[6] who typically controlled a collection of corporations in various lines of activity. A very wealthy man, the tycoon nevertheless did not believe in tying up his funds permanently even in corporations under his own control. The corporation's assets for the most part represented "other people's money" which the tycoon managed with a view to his own profit, not theirs. Apart from methods such as stealing, fraud, milking one company for the benefit of another, etc.—all duly celebrated in the muckraking literature of the day—his primary interest lay in capital gains made through buying securities cheap and selling them dear, an objective which could be promoted at times by building up a company and at others by wrecking it. To quote Veblen, who may be regarded as the classical theorist of this kind of business enterprise:

With a fuller development of the modern close-knit and com-

6 The word "tycoon" entered the language around the middle of the nineteenth century as a title which foreigners (incorrectly) applied to the Japanese Shogun.

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prehensive industrial system, the point of chief attention for the business man has shifted from the old-fashioned surveillance and regulation of a given industrial process, with which his livelihood was once bound up, to an alert redistribution of investments from less to more gainful ventures, and to a strategic control of the conjunctures of business through shrewd investments and coalitions with other business men.[7]

The present-day corporation manager is a very different type from the tycoon of 50 years ago. In one respect, he represents a return to pre-tycoon days: his chief concern is once again, to use Veblen's words, the "surveillance and regulation of a given industrial process with which his livelihood is bound up." On the other hand, in another respect he is the antithesis of classical entrepreneur and tycoon alike: they were both individualists *par excellence,* while he is the leading genus of the species "organization man."

There are many ways to describe the contrast between tycoon and modern manager. The former was the parent of the giant corporation, the latter is its child. The tycoon stood outside and above, dominating the corporation. The manager is an insider, dominated by it. The loyalty of the one was to himself and his family (which, in its bourgeois form, is essentially an extension of self); the loyalty of the other is to the organization to which he belongs and through which he expresses himself. To the one the corporation was merely a means to enrichment; to the other the good of the company has become both an economic and an ethical end. The one stole from the corporation, the other steals for it.[8]

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7 Thorstein Veblen, *The Theory of Business Enterprise,* New York, 1904, p. 24.

8 Popular sentiment condones the latter but not the former. This is presumably the reason for the widespread impression, which has by now attained the status of axiomatic truth among those who describe and comment on the American scene, that the businessman of today is a highly moral person by comparison with his predecessor of a half century ago. There seems to be no good reason for accepting this view: indeed, the extent of executive criminality in furtherance of company aims which was revealed by the late E. H. Sutherland in his important but much neglected work *White Collar Crime* (New York, 1949) would seem clearly to point to the opposite conclusion. What indubitably has changed is the pattern

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All of this has been aptly summed up by a modern manager who happens to be the grandson of one of the most famous entrepreneurs of the past. In a speech before the American Newspaper Publisher's Association on April 28, 1955, Henry Ford II said:

> The modern corporate or joint-venture capitalism has largely replaced tycoon capitalism. The one-man-band owner-manager is fast being replaced by a new class of professional managers, dedicated more to the advancement of the company than to the enrichment of a few owners.

Actually, managers are not professionals in the sense that doctors and lawyers are—there are no recognized standards, training, etc.—but on the main point Mr. Ford is unquestionably right. The tycoon was interested in self-enrichment: he was an individualist. The modern manager is dedicated to the advancement of the company: he is a "company man."[9]

To avoid misunderstanding, it should be added that none of the foregoing is intended to imply that the tycoon has altogether vanished from the American scene. The long inflation of the 1940's and 1950's produced a whole crop of promoters and operators conforming exactly to the sociological type of the tycoon. But nowadays they operate around the periphery and in the interstices of the American economy, and they are looked down upon with a mixture of disdain and contempt

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of executive criminality, though no one, including Sutherland himself, seems to have appreciated the importance of this fact to an understanding of recent American history. Cf. also J. G. Fuller, *The Gentlemen Conspirators,* New York, 1962. This is the story of the famous price-fixing case in the heavy electrical equipment industry.

9 Mr. Ford's statement was later borrowed and characteristically embellished by a Big Business public relations man. We have before us a mimeographed copy of a speech delivered by J. C. McQueen, Manager of Employee and Plant Community Relations at the Evandale Plant of General Electric, at the Tenth Annual Teachers' Institute of the Cincinnati Public Schools, August 29, 1956. In this speech, Mr. McQueen repeats without attribution the above statement of Henry Ford II from "The modern corporate or joint-venture capitalism" through "class of professional managers." The final clause, however, reads as follows: "dedicated to serving the balanced best interests of all contributors to and claimants on the goods and services of the business." Here we meet the soulful corporation again—and also get a glimpse of its origins in the fertile minds of the public-relations fraternity.

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by the *real* Big Businessmen of today, the managers of the giant corporations. In this connection we are fortunate to have a record of a direct confrontation of the two types. The latter-day tycoon is Cash McCall, hero of the novel of the same name by Cameron Hawley, himself a Big Businessman turned writer. The corporate manager is Frank Abrams, retired board chairman of Standard Oil Company of New Jersey, America's largest industrial corporation. The confrontation was arranged by *Business Week* which queried a number of businessmen of varying backgrounds about their reactions to Cash McCall and his methods of operation.[10]

For the sake of those who have not made the acquaintance of Cash McCall, it should be explained that he is a man of almost superhuman skill and daring who possesses an infallible Midas touch. He specializes in buying companies, doctoring them up, and selling them at a big profit. For this purpose he has a string of high-powered retainers—lawyers, management consultants, spies, etc. He has no interest in holding onto or developing any of the properties which come into his control, and for this reason he is contrasted throughout the book with the "company man" (the term is Hawley's) whose first loyalty is to the company in which he works and who is represented as becoming increasingly the normal American businessman. Here, combined in one statement, is the gist of Frank Abrams's opinion of Cash McCall (both the insertions and the omissions are *Business Week's*):

> The individualist seems [in Hawley's book] to be the man of ideas who performs miracles in reorganization, and the company man the plodder who makes little or no contribution to the larger scheme of things. My experience is quite to the contrary. The company man, I have found, is the man who likes to serve a good cause to the best of his ability, and is content to prosper with [his company]. The individualist is quite apt to be a self-seeker. . . he will switch allegiance from company to company, and seems

10 "How Good an Operator Is Cash McCall?", *Business Week*, December 17, 1955. It will probably surprise no one to learn that among those queried, Cash McCall's most enthusiastic supporter was Louis E. Wolfson, perhaps the best publicized of the real-life Cash McCalls of the postwar decade.

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mainly concerned with personal power and the trappings of wealth.

My business experience has been. . .relatively free of the tax manipulations and promotional shenanigans that seem the chief concern of the principal characters of this book. Perhaps I have been insulated from some of the facts of smaller business life, and if so I can now, in retirement, appreciate how fortunate I have been.

This is the voice of the genuine aristocrat, one who is firmly established in his station in life, secure and confident. He is proud to identify himself with his company, to share in its prosperity. He has little use for individualists: they are unreliable and their insecurities lead them into the vulgarities of power-grabbing and conspicuous display. Above all, he is conscious of living in the world of *Big* Business, the rulers of which, like the feudal nobility of old, have learned to live graciously, "insulated from the facts of smaller business life."

This last phrase speaks volumes about present-day American society. Cash McCall is no petty shopkeeper. He owns one of the largest hotels in Philadelphia and occupies a whole floor of it; he flies his own private plane and maintains a great country estate; he spends millions of dollars on the impulse of the moment. By Hollywood standards, in fact, Cash McCall is the very model of a Big Businessman. And yet to Frank Abrams—who may or may not have as much money as Cash McCall is supposed to have—all this is merely vulgar display and cheap shenanigans. To the aristocracy of company men, Big Business is Standard Oil and a few score similar corporate giants which collectively control the nation's economic destiny—all the rest is unceremoniously relegated to the limbo of "smaller business." "In the United States today," writes one of the aristocrats, a Vice President of the Pittsburgh Plate Glass Company, "135 corporations own 45 percent of the industrial assets. These are the companies to watch. Here lies managerial power."[11] Clearly, the exercise of power is matched by the consciousness of power.[12]

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11 Leland Hazard, "What Economists Don't Know About Wages," *Harvard Business Review,* January-February 1957, p. 56.

12. It goes without saying that no attempt can be made here to explore the ramifications and implications of the transformation of the Big Businessman from tycoon to company man. Nevertheless, we cannot leave

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IV

Big corporations, then, are run by company men. What kind of people are they? What are they after and why? What position do they hold in the class structure of American society? Let us take up the last question first.

There is a widespread impression, and much literature to support and propagate it, that the managements of big corporations form some sort of separate, independent, or "neutral" social class. This is a view which we have already encountered in an elementary form in the "neutral technocracy" of Berle and Means and the "soulful corporation" of Carl Kaysen; it is developed more elaborately in such works as James Burnham's *The Managerial Revolution* and Berle's *The 20th-Century Capitalist Revolution*. Most of the variants of this theory have interesting and enlightening insights to contribute, but in our view they all share a common defect: the basic idea is wrong.

The fact is that the managerial stratum is the most active and influential part of the propertied class. All studies show that its members are largely recruited from the middle and

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the subject without noting that it has left its mark on serious literature (*Cash McCall* is to be rated rather as a tract for the times in novel form). "In the fifty-four years since Frank Norris created the prototype of the modern capitalist in *The Pit*," writes David Dempsey, "the approach of American novelists toward the world of business has undergone a complete revision. Norris, and subsequently Dreiser, saw the rise of the corporation as a one-man affair; their focus was on the individual who dominated business for his own ends, but whose actions affected society at large. Norris' wheat speculator Curtis Jadwin, like Dreiser's nineteenth-century capitalist, Frank Cowperwood, is molded in the classic tradition of the hero who builds an empire at the cost of his own integrity. Since few American corporations at present are dominated by a single individual, the novelist has been compelled to reorient—actually, to invert—his point of view. Today, it is the corporation itself. . .that has become the villain; it is the individual caught in the corporate structure, rather than the public, who is the victim. . . ." Review of *From the Dark Tower* by Ernest Pawel, *New York Times* (Sunday Book Section), June 23, 1957.

In one important respect, this analysis seems to us not quite accurate. The crux of the matter is not that "few American corporations at present are dominated by a single individual." There are plenty of them, even among the biggest. The point is that the company man, even when he rises to a dominant position in his company, as often happens, is a very different type and plays a very different role from the old-fashioned tycoon. For the tycoon, the company is merely a means, while to the company man it has become an end.

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upper reaches of the class structure; they overlap with what C. Wright Mills calls the "very rich"; with few and negligible exceptions, they are wealthy men in their own right, quite apart from the large incomes and extensive privileges which they derive from their corporate connections.[13] It is, of course, true, as we have already emphasized, that in the typical big corporation the management is not subject to stockholder control, and in this sense the "separation of ownership from control" is a fact. But there is no justification for concluding from this that managements in general are divorced from ownership in general. Quite the contrary, managers are among the biggest owners; and because of the strategic positions they occupy, they function as the protectors and spokesmen for all large-scale property. Far from being a separate class, they constitute in reality the leading echelon of the property-owning class.

This is not to argue that managers have no distinctive interests *qua* managers. Like other segments of the propertied class, they do. But the *conflicts* of interest that arise in this way are between managers and small property-owners rather than between managers and large property-owners. The clearest case in point has to do with dividend policy.

It is generally assumed that the desire of managers, noted earlier, to generate the largest feasible volume of internal corporate funds leads to an interest in a low dividend payout rate, while stockholders' concern to maximize their disposable cash income leads to an interest in a high payout rate. Actually, this is much too simple. Most managers are themselves big owners of stock (in their own and other companies) and as such have the same interest in dividends as other big stockholders. This interest is neither in a minimum nor in a maximum payout rate but somewhere in between: stockholdings should yield a reasonable cash income (for managers this is particularly important as a guarantee of family security after they retire or die); on the other hand, they should also steadily appreciate in value. The first requirement calls for dividends, the second for plow-

13 By far the best treatment of these subjects will be found in C. Wright Mills, *The Power Elite,* New York, 1956, especially Chapters 6, 7, and 8.

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ing back of earnings. Nevertheless, the *special* managerial interest in a low payout rate does exist and is undoubtedly important. But the point to be emphasized is that this makes managers the allies of the very largest stockholders for whom a minimum payout rate is also a desideratum. The reason, of course, is that the very rich save a large part of their incomes in any case, and it is to their advantage for the corporations in which they own stock to do the saving for them rather than pay out dividends from which to do their own saving. Corporate saving results in an increase in the value of their stock. If at any time they need the cash, either to spend or for some other investment, they can sell part or all of their shares, realizing the increment of value in the form of a capital gain taxable at the maximum rate of 25 percent. On the other hand, if they receive more in the form of dividends they have to pay taxes at the much higher rates applicable to their brackets, which of course cuts down their effective rate of saving.

Pressure for higher payout rates generally comes from small stockholders. Only rarely is it effectively exerted on managements via the formal corporate voting machinery, but this does not mean that the small stockholder is without influence. Socially, the seven million or so small stockholders in the United States are an important group: they are quite likely to be solid citizens, leaders of public opinion with local political influence. Since the tiny upper echelon of the propertied class (including its leading element, the managers of the big corporations) is always politically vulnerable, it naturally wants to have the support and loyalty of the small stockholder. A moderate, and perhaps even more important a steady, dividend policy is the most effective way of insuring this support.

In practice, dividend policies are of course the outcome of a compromise between the desire of managements and large stockholders for a low payout rate and the desire of small stockholders for a high rate. Moreover, as would be expected, there is considerable variation from one company to another. Those which are largely owned by a few rich individuals or families tend to have the lowest payout rates; those with numerous small stockholders have higher rates; while the highest rates of all are likely to be paid by companies which both have a large

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number of small stockholders and are also situated in what may be called "public relations-sensitive" areas of the economy. As would also be expected, managements as a rule hold the upper hand in determining the terms of the compromise, maintaining payout rates of 50 percent or less in most management-controlled industrial corporations. When profits rise, moreover, managements deliberately delay the adjustment of dividends to the new profit level, so that in time of prosperity the actual as distinct from the target payout rate tends to decline.[14] All of which testifies to the combined power of management and the very rich: the two are in fact integrated into a harmonious interest group at the top of the economic pyramid.

V

The company man is dedicated to the advancement of his company. This does not mean, however, that he is any more or less *homo economicus,* any more or less selfish, any more or less altruistic than either the tycoon or the individual owner-entrepreneur before him. All of these conceptions are at best irrelevant and at worst seriously misleading. The problem is not one of "psychology" of any kind but of the selective and molding effects of institutions on the personnel that operates them. Sociologists may regard this as too elementary to require mention, but unfortunately it is not possible to take for granted such a degree of enlightenment among economists. Economic theory is still heavily permeated by the "psychologizing" tradition of nineteenth-century utilitarianism, and economists need continually to be reminded that that tradition leads only to confusion and obscurantism.

To be a "going concern," a social order must instill in its members the ambition to be a success in its own terms. Under capitalism the highest form of success is business success, and under monopoly capitalism the highest form of business is the big corporation. It follows that in this system the normal procedure for an ambitious young man must be to work himself up to as near the top as possible of as big a corporation as

14 For more complete quantitative data, see the excellent study of John Lintner, "Distribution of Incomes of Corporations among Dividends, Retained Earnings, and Taxes," *American Economic Review,* May 1956.

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possible.[15] Once he enters a given corporation, he devotes himself to two ends: ascending the managerial ladder on which he finds himself and advancing the relative status of his company in the corporate world. In practice, these two ends are completely indistinguishable: the young man's rise *in* the company depends on his contribution to improving the position *of* the company. This is the crux of the matter, and this is why we can say without qualification that the company man is dedicated to the advancement of his company: he is dedicated to the advancement of his company precisely to the extent that he is dedicated to advancing himself.

This remains true even after he has reached the top of a given company. If he makes a good record, he may be "called" to a larger company. And even if he is not, or has no hope of being, he is still just as much interested in improving the position of the company he heads; for standing, prestige, and power in the business world are not personal attributes but rather are conferred on the individual businessman by the standing, prestige, and power of the company with which he is associated and by his position in that company.

These propositions are vividly illustrated in the novel *Cash McCall* to which we have already referred. Grant Austen, one of the main characters, is owner and president of a small company. During World War II the company becomes enormously profitable, but Grant Austen soon discovers that his position in the business world remains unchanged. "Earnings leaped to a level where he could have paid himself an annual salary of $100,000—the hallmark of a *Big Business* president—but Grant Austen knew from his increased contact with the world of Washington, New York and Detroit that the Suffolk Moulding Company was a painfully small example of what was referred to as *Small Business*. His standing in the world of industry was the sociological equivalent of an underprivileged sharecropper." (Emphasis in the original.) Subsequently, his daughter is refused admission to an exclusive girls' school on

15 "The way to achieve and retain greatness is always to be striving for something more." Osborn Elliott, *Men at the Top,* New York, 1959, p. 40. This book contains much useful information on American business leaders.

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the pretext that there are no openings. "Grant Austen knew better. There were other men whose daughters had applied afterward and been accepted. There was only one possible explanation—he wasn't a big enough man to count. The Chadwick School was like so many of the men he met in Pullman club cars—they had never heard of the Suffolk Moulding Company. Being president of a small company didn't mean a thing." The best week of Grant Austen's married life is spent at a National Association of Manufacturers convention in New York where he and his wife give a dinner party. "Their guests were other presidential couples, all of whom outranked them in net worth, but Miriam held her own. . . . During the days while he was attending convention sessions, she managed to get acquainted with two women whose husbands were both officers of companies that had their securities listed on the New York Stock Exchange." The end of the business career of Grant Austen drives home the main point with an ironic twist. Harassed and frustrated by the problems of small business, he finally decides to sell out. He gets $2 million more than the company is worth only to discover that now all at once, unattached to any company, he is a nobody even in those business circles which had formerly accepted him as an equal.

We have been arguing as though size is the only index of corporate status. Actually, this is an oversimplification. Other important indexes are rate of growth and "strength" as measured by such standards as credit rating and the price of a company's securities. Thus, assuming equal size, one company will rank ahead of others if it is stronger and growing more rapidly; while strength and rapid growth may be sufficient to offset even a big size differential if the larger company is stagnant or declining. It follows that the primary objectives of corporate policy—which are at the same time and inevitably the personal objectives of the corporate managers—are strength, rate of growth, and size. There is no general formula for quantifying or combining these objectives, nor for that matter is there any need for one. For a moment's reflection will show that they are reducible to the single common denominator of *profitability*. Profits provide the internal funds for expansion. Profits are the sinew

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and muscle of strength, which in turn gives access to outside funds if and when they are needed. Internal expansion, acquisition, and merger are the ways in which corporations grow, and growth is the road to size. Thus profits, even though not the ultimate goal, are the necessary means to all ultimate goals. As such, they become the immediate, unique, unifying, quantitative aim of corporate policies, the touchstone of corporate rationality, the measure of corporate success. Here is the real—that is to say, socio-structural as distinct from individual-psychological—explanation of the kind of profit-maximizing behavior so ably described by Professor Earley in the long passage quoted on pages 140-143 above.

The reader will notice that nothing has been said about whether corporate executives strive to maximize their salaries and/or personal incomes.[16] It is probably safe to assume that they do, for two reasons. For one thing, there is a selective process at work which tends to draw the people who are most interested in making money into business and to divert those less interested into other pursuits. As Veblen said, "men whose aim is not an increase of possessions do not go into business."[17] And second, within any given business milieu, relative salary or income is an important badge of standing. William H. Whyte, Jr., inquiring into executives' attitudes toward taxes, found the following to be true:

Unhappy as executives are about high taxes, to them the key aspect of salary is not its absolute but its relative size. And the relative size does depend on the income *before* taxes. The part of the pay stub that shows gross salary may be cause for hollow laughter, but it is still the part that is critical, and the man who gets $30,000 a year finds very little comfort in pondering the thought

16 The two are of course not identical. Mainly for tax reasons, the corporate world has devised a variety of methods for compensating executives in addition to the old-fashioned salary and bonus. Taken over the whole life of the executive, these "fringe benefits" may be even more important than salary. "In these days of profit-sharing benefits, retirement plans, and stock options," says an advertisement of the Guaranty Trust Company in *Business Week* of November 24, 1956, "the present and future capital assets of the average business executive are far greater than his bank balance and salary check seem to indicate."

17 *The Theory of Business Enterprise*, p. 20.

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that his $37,000-a-year rival takes home only $892 more than he does.[18]

There thus can hardly be any doubt that corporate managers do normally strive to maximize personal income. But it is important to understand that nothing in the theory of corporate behavior would be changed if we were to make the opposite assumption, namely, that company men are unconcerned about the size of their incomes, that they go into business and work hard at it because they like to rather than for the money it brings in. There certainly are some businessmen who feel this way: what needs to be emphasized is that they might all be of this type, and might be paid accordingly, without changing anything in their behavior *as company men.*

Perhaps the best way of clarifying this is by an analogy. A professional baseball player makes his living by playing ball. He may detest the life and stick with it solely for the money. Or he may love the game and be quite willing to play for nothing if necessary. It makes no difference at all when he gets out on the playing field. There his objectives are no longer dictated by his personal feelings and preferences; they are laid down for him in the baseball rule book. Whatever his likes and dislikes, whatever his inner urges, his *actions* must be directed to the single, measurable aim of getting more runs than the other team. If he won't or can't play the game according to the book, he is dropped from the team and loses his job. If his contribution to his club's success is insufficient, he is benched or shipped down to the minor leagues.

Baseball, it is said, is America's national game. It would be more correct to say that business is America's national game: there are many more people engaged in it and the stakes are much higher. But in any case the two operate on similar principles. In baseball the objective is to get to the top of the league; day-to-day policies are directed toward winning games by getting more runs than opposing teams; players are judged by their cumulative day-to-day performance. In business, the aim is to get to the top of the corporate pyramid; day-to-day policies are directed to making the most possible profits; as in

18 *The Organization Man,* New York, 1958, pp. 144-145.

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baseball, players are judged by their cumulative day-to-day performance. In both, those who refuse to play according to the rules get thrown out. Those whose performance is sub-standard sink toward the bottom. In neither are personal motivations important except insofar as they may contribute to effectiveness in action, and in this respect they play their part along with many other factors such as physique, intelligence, skill, training, and the like.

To sum up: Business is an ordered system which selects and rewards according to well understood criteria. The guiding principle is to get as near as possible to the top *inside* a corporation which is as near as possible to the top *among* corporations. Hence the need for maximum profits. Hence the need to devote profits once acquired to enhancing financial strength and speeding up growth. These things become the subjective aims and values of the business world because they are the objective requirements of the system. The character of the system determines the psychology of its members, not vice versa.

One corollary of this analysis requires particular emphasis. "At the historical dawn of capitalist production," Marx wrote, "avarice, and desire to get rich, are the ruling passions. . . . Accumulate! Accumulate! That is Moses and the prophets."[19] But he was careful to point out that this "ruling passion" was not an emanation of human nature but rather was the product of the system in which it played so crucial a role:

> [The capitalist] shares with the miser the passion for wealth as wealth. But that which in the miser is a mere idiosyncrasy, is, in the capitalist, the effect of the social mechanism of which he is but one of the wheels. Moreover, the development of capitalist production makes it constantly necessary to keep increasing the amount of the capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation.[20]

19 *Capital*, Vol. 1, p. 652.
20 *Ibid.*, p. 649.

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We have come a long way since the historical dawn of capitalist production, and even since Karl Marx wrote *Kapital.* Nowadays the avaricious capitalist, grasping for every penny and anxiously watching over his growing fortune, seems like a stereotype out of a nineteenth-century novel. The company man of today has a different attitude. To be sure, he likes to make as much money as he can, but he spends it freely and the retirement benefits and other perquisites which he gets from his company enable him to take a rather casual attitude toward his personal savings. Noting the contrast between the modern businessman and his counterpart of an earlier epoch, one may be tempted to jump to the conclusion that the old drive has gone out of the system, that the classical picture of capitalism restlessly propelled forward by the engine of accumulation is simply inappropriate to the conditions of today.

We can now see that this is an altogether superficial view. The real capitalist today is not the individual businessman but the corporation. What the businessman does in his private life, his attitude toward the getting and spending of his personal income—these are essentially irrelevant to the functioning of the system. What counts is what he does in his *company* life and his attitude toward the getting and spending of the *company's* income. And here there can be no doubt that the making and accumulating of profits hold as dominant a position today as they ever did. Over the portals of the magnificent office building of today, as on the wall of the modest counting house of a century or two ago, it would be equally appropriate to find engraved the motto: "Accumulate! Accumulate! That is Moses and the Prophets."

VI

The replacement of the individual capitalist by the corporate capitalist constitutes an institutionalization of the capitalist function. The heart and core of the capitalist function, of course, is accumulation: accumulation has always been the prime mover of the system, the locus of its conflicts, the source of both its triumphs and its disasters. But only in the infancy of the system could accumulation be said to exhaust the obliga-

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tions of the capitalist. With success came also responsibilities. In the words of Marx:

> When a certain stage of development has been reached, a conventional degree of prodigality, which is also an exhibition of wealth, and consequently a source of credit, becomes a business necessity to the "unfortunate" capitalist. Luxury enters into capital's expenses of representation.[21]

These "expenses of representation" have traditionally taken the form of conspicuous waste on the one hand and philanthropy on the other. Both have always had what would nowadays be called a public-relations purpose: the one to dazzle and overawe the public, the other to secure its loyalty and affection. Both have been borne by the capitalist in his private capacity.

One of the most striking changes in the American scene in recent years has been a marked decline of both types of expenditure by the aristocracy of the business world. The fabulous estates of Newport and Southampton, the regal yachts of the Morgans and the Astors, the debutante parties costing half a million dollars or more—one now reads more about these things in history books than in the society pages of the daily paper. The Big Businessman of today (Texas oilmen excepted, as they should be) lives if not modestly at least in decent obscurity: the last thing he would want to do is make a big splash with his wealth. Similarly, individual philanthropy seems to play a decreasingly prominent role—so much so that one of the country's biggest businessmen, writing about the problems of the corporate world, feels justified in titling one of his chapters "The Vanishing Philanthropist."[22]

These developments do not mean, however, that capital's expenses of representation have somehow been abolished. What has actually happened seems to be something quite different and at the same time something for which our discussion of the corporation should have prepared us. Like other aspects of the capitalist function, responsibility for meeting capital's expenses

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21 *Capital,* Vol. 1, p. 651.

22 Crawford H. Greenewalt, *The Uncommon Man: The Individual in the Organization,* New York, Toronto, London, 1959, pp. 113 ff.

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of representation has been institutionalized. Nowadays, it is the corporation itself that has to maintain a high standard of living before the public, and it does so by erecting grandiose headquarters buildings,[22a] providing its functionaries with offices which grow plushier by the year, transporting them in fleets of company-owned jet planes and Cadillacs, granting them unlimited expense accounts, and so on and on. It will hardly be denied that most of this is the sheerest kind of conspicuous waste, correlated negatively, if at all, with productive efficiency. Nevertheless, no corporation with serious claims to Big Business standing would dream of neglecting this aspect of its operations. Size, success, strength—the desiderata of corporate policy—must be not only achieved but also displayed for all the world to see. The need to dazzle and overawe is as great as ever, and the costs which it entails have certainly grown along with the growth of capital (whether more than proportionately is an interesting question but one which, in the absence of reliable data, must remain unanswered). What have changed are the form and method of conspicuous waste, not the purpose or content.

22a Consider, for example, the new sixty-story Chase Manhattan Bank building. "Tall enough at 813 feet to throw the early morning sun back at itself," says a brochure issued by the bank under the title *A New Landmark for New York*, "the Chase Manhattan Bank building represents the fulfillment of an architectural ideal and a high water mark in modern management. It was designed not just to function but to express—its soaring angularities bespeaking an era rather than a transient need. . . . When the building was in an embryonic state, it was decided that the decorative element which would best complement the stark simplicity of its modern architecture was fine art. Accordingly, the bank recruited the services of a committee of art experts to select works which would contribute to a warm and stimulating environment in which the employees would work and at the same time express the bank's concern with those things man holds dearest. The works chosen to adorn private offices and reception areas range from the latest in abstract impressionism to primitive Americana and connote the bank's rich role in American history as well as its global interests. . . . 1 Chase Manhattan Plaza is really many things in one—a product of an age when reaching for the stars is no longer a figure of speech and men pierce the ocean depths as blithely as they cross the street—a bench mark in architectural history—a staggering complex of machinery—an art gallery unlike any other in the world—a towering symbol of Chase Manhattan's confidence in the future of the storied financial district." All Americans can share a legitimate pride in this monument to what man holds dearest, the more so since as taxpayers they pay about half its cost.

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Much the same can be said about philanthropy. This too is being institutionalized, and though up to now foundations have taken the lead, the corporations themselves are playing an increasingly important role, especially in the field of providing private support for institutions of higher learning.[23] Doubtless those observers are right who see here a trend that will continue into the indefinite future; the end may well be that the cost of all or nearly all private philanthropy is directly borne by corporations.

It is in this area of philanthropy, and the public-relations efforts which accompany it and are more or less closely related to it, that we find a genuine kernel of truth in the "soulful corporation" idea. In criticizing this notion earlier, we had occasion to quote from Professor Kaysen's paper "The Social Significance of the Modern Corporation" and to reject his view that profit maximization has ceased to be the guiding principle of corporate conduct. But when Kaysen says that the modern corporation's "responsibilities to the general public are widespread" and lists among them "leadership in local charitable enterprises, concern with factory architecture and landscaping, provision of support for higher education, and even research in pure science," there is no reason to cavil. Having maximized their profits, corporations do feel called upon to engage in activities of this sort and almost certainly will do so to an

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23 One should not assume, however, that this is all *pure* philanthropy. "Business corporations," writes William M. Compton, President of the Council for Financial Aid to Education, "are not benevolent institutions. But they can be 'benevolent' when considered benevolence is in the interests of their owners." *Association of American Colleges Bulletin,* March 1954. Presumably, Mr. Compton knows from personal experience how corporations feel about these matters. Or to cite again Crawford Greenewalt, President of Du Pont: Mr. Greenewalt is quite clear that the continued progress of American industry depends on the nation's having "a balanced research program, which means that it must supplement its applied research with an amount of fundamental research sufficient to provide the basic information upon which all scientific progress depends. . . . A substantial amount of such research is now being done by industry. The major responsibility, however, must rest with our universities, for only they can provide the atmosphere in which truly fundamental scientific inquiry can flourish. The problem is not so much one of persuasion as of finance; it is here that industry, by supporting academic fundamental research, *can at the same time serve its stockholders and supply a public need.*" *The Uncommon Man,* pp. 137-138. (Italics added.)

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increasing extent in the future. If these are emanations of the corporate soul, then the existence of that metaphysical entity can be taken to be a fact. It ought to be added, however, that it is a familiar soul, not a new one. Escaping from the dying body of the capitalist-philanthropist it has migrated to the capitalist-corporation. But for the system as a whole, there is no net increase of soulfulness.

VII

We have tried to show that the giant corporation of today is an engine for maximizing profits and accumulating capital to at least as great an extent as the individual enterprise of an earlier period. This does not mean, however, that it is merely an enlarged and institutionalized version of the personal capitalist. On the contrary, there are major differences between these types of business enterprise, and at least two of them are of key importance to a general theory of monopoly capitalism: the corporation has a longer time-horizon than the individual capitalist, and it is a more rational calculator. Both differences are fundamentally related to the incomparably larger scale of the corporation's operations.

The corporation is in principle immortal and inculcates in its functionaries a long time-horizon, not because of its special legal form (after all, a corporation can be wound up just as easily as a proprietorship) but because what it "incorporates" is a vast and complex capital investment the value of which depends on its being maintained as a going concern. Similarly, the size of the corporation's operations enforces a far-reaching specialization and rationalization of the managerial function. "Perhaps the best analogy to an executive's job," writes Crawford H. Greenewalt, President of the Du Pont Company, "is that of the symphony conductor under whose hand a hundred or so highly specialized and yet very different skills become a single effort of great effectiveness."[24] And as to the rationalistic ethos of the big corporation there could hardly be more eloquent testimony than the rapid spread of methods (and the personnel to work them) of the kind so strongly emphasized in the state-

24 *The Uncommon Man*, p. 64.

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ment by Professor Earley which we quoted on pages 140-143 above—cost accounting, budgeting, data processing, management consulting, operations research, and much else besides.

The long corporate time-horizon and the rationalization of management generate certain characteristic attitudes and modes of action. Of these, perhaps the most important are (1) a systematic avoidance of risk-taking, and (2) an attitude of live-and-let-live toward other members of the corporate world. In both respects the change from the old-fashioned individual enterprise is so great in quantity as to amount to a change in quality.

(1) With regard to risk-taking, the difference between the attitude of the corporation and that of the individual capitalist is not that the latter was inherently more of a gambler than the former (though very likely he was) but rather that he had neither the capability nor the habit of calculating risks. He was like the little fellow who keeps on playing the numbers game, either not knowing or not caring about the certain odds against him; while the big corporation is like the professional gambler who takes good care that the odds are always in his favor. The time-horizon factor also plays a role here: the corporation, being under no pressure to realize quick returns and disposing over ample resources, approaches a new development with care and circumspection and never takes a final commitment until the relevant investigations and preparations have been carried out. Finally, and in a sense ironically, the corporation knows how to use for its own ends the very weaknesses of the small enterprise which it has outgrown. When a new industry or field of operations is being opened up for the first time, the big corporation tends to hold back deliberately and to allow individual entrepreneurs or small businesses to do the vital pioneering work. Many fail and drop out of the picture, but others succeed and in so doing trace out the most promising lines of development for the future. It is at this stage that the big corporations move to the center of the stage. Referring to the electric appliance field which he knew well from long experience, T. K. Quinn, formerly a Vice President of General Electric, wrote: "I know of no original product invention, not even electric shavers or heating pads, made by any of the giant

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laboratories or corporations, with the possible exception of the household garbage grinder. . . . The record of the giants is one of moving in, buying out and absorbing the smaller creators."[25] No general information on this subject seems to be available, but there is reason to believe that Mr. Quinn's statement holds true of many other industries in addition to electrical appliances.

(2) The attitude of live-and-let-live which characterizes Big Business likewise derives from the magnitude of the corporation's investment and from the calculating rationality of its management. By and large, this attitude is reserved for other big corporations and does not extend to the smaller businessman. For example, the big three automobile companies behave toward one another in a way that Schumpeter appropriately called "corespective,"[26] while their behavior to the scores of thousands of dealers who sell their products to the public is notoriously overbearing and dictatorial. The reason, of course, is that each of the big ones recognizes the strength and retaliatory power of the other big ones and as a matter of deliberately calculated policy avoids provoking them. Corespective behavior is by no means limited to competitors, however. If one big corporation is not a competitor of another, it is quite likely to be either a customer or a supplier; and in this realm of corporate relations the sovereign principle is reciprocity, which enjoins corespective behavior as surely as competition does. In addition, the Big Business community is numerically small, comprising perhaps 10,000 or so people for the entire country, and its members are tied together by a whole network of social as well as economic ties. Conscious of their power and standing in the larger national community, they naturally tend to develop a group ethic which calls for solidarity and mutual help among themselves and for presenting a common front to the outside world.

It wasn't always so. In the early days when Big Business was emerging from the jungle of small-scale competition, cores-

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25 T. K. Quinn, *Giant Business: Threat to Democracy*, New York, 1953, p. 117.

26 J. A. Schumpeter, *Capitalism, Socialism, and Democracy*, New York, 1942, p. 90n.

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pective behavior was rare indeed. Even the railroads had to go through a series of exhausting rate wars before they finally got it into their corporate heads that roadbeds and tracks and locomotives and cars would go on being used to carry passengers and freight whatever might happen to security owners or rival managements. The original tycoons, faced with the consequences of cutthroat competition, sought a way out through a policy of ruthless monopolization. The victims of this drive, however, were numerous and not without influence. By entering into a temporary alliance with dissatisfied farmers and workers, they succeeded in getting the Antitrust Laws passed, which, though far from achieving their avowed aim of preserving (or restoring) free competition, nevertheless put very real roadblocks in the way of full monopolization. For this reason, as well as for others of a technological and economic nature, there were few cases in which one corporation or even one financial interest group succeeded in establishing effective control over an entire market.

It was under these circumstances that Big Businessmen began to learn the virtues of corespective behavior. The process of learning was hastened as the highly individualistic tycoon passed from the scene and the company man gradually took his place as the typical representative of corporate business. Today there are probably fewer genuine monopolies than there were at the turn of the century, but there is also infinitely less cutthroat competition.

But this brings us into the middle of the problem of the *interaction* of the corporate giants, and it will be more convenient to deal with this in a separate chapter.

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ON THE QUALITY OF MONOPOLY CAPITAL SOCIETY

The purpose of the preceding discussion has been not only to advance the understanding of the working principles of the contemporary American economy, but also, and perhaps even more important, to gain the insight that only such understanding can provide into the forces that mold the lives, shape the minds, and determine the development of individuals in our society. On the pressing urgency of the need for this insight there can hardly be any dispute. Disorientation, apathy, and often despair, besetting Americans in all walks of life, have assumed in our time the dimensions of a profound crisis. This crisis affects all aspects of national life, and ravages with equal force both its socio-political realm and its individual sphere—everyman's everyday existence. A heavy, strangulating sense of the aimlessness, emptiness, and futility of national and individual life permeates the country's entire moral and intellectual climate, finding its gloomy expression in the appointment of high-level committees entrusted with the discovery and specification of "national goals," as well as in the contents of printed matter (fiction and non-fiction alike) appearing daily in the literary marketplace. The malaise is depriving work of meaning and purpose; turning leisure into joyless, debilitating laziness; fatally impairing the educational system and the conditions for the healthy growth of the young; transforming religion and church into commercialized vehicles of vacuous "togetherness"; and destroying the very foundation of bourgeois society—the family.

Critics may stop us right here. Few of them, we believe, would wish to deny the existence of the phenomena to which we allude. Some, however, may object that all or most of these phenomena are nothing new, that they have always characterized capitalism or perhaps even human society in general. Others may feel that they represent inevitable by-products of "modern industrial civilization," unavoidable attributes of the "affluent society," inescapable costs of economic progress. We shall return to these considerations later on, but one

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thing must be made absolutely clear at the outset: we are *not* insisting that the condition which we attempt to analyze is brand new, nor are we arguing that it necessarily constitutes a deterioration by comparison with the state of affairs that prevailed, say, twenty or fifty years ago. Although it is our strong *impression*—shared, it would seem, by thoughtful observers of the most divergent persuasions—that the crisis has never been as sharp and all-pervasive, and that matters have recently been going from bad to worse, we are fully aware that we are moving here in an area in which possibilities of arriving at precise or even approximate measurements and "proofs" are few and far between. It will be useful to indicate briefly the reasons for this difficulty.

These reasons are for the most part reducible to the fact that statistical information on social developments is either scanty or highly ambiguous.[1] Consider for instance an index of social malaise such as the number of suicides. Apart from the incompleteness of the relevant data, it is obvious that their value depends on how the deaths in question are reported. Thus at a time when self-destruction was thought of as a serious blemish on the reputation of the surviving family, many a suicide was reported as death due to heart attack or other natural cause. As the social attitude towards suicide has changed and the reluctance to admit its occurence has subsided, more suicides are reported and registered as such rather than as deaths attributable to other causes. This change in reporting would tend to give an impression of deterioration where actually there may have been none. Further on suicide, it is often held that its incidence among Negroes in the United States is markedly lower than among whites. To the extent, however, that the authorities in general, but primarily in the southern States, consider a Negro hardly worth bothering with and therefore make little effort to establish the cause of his death, the statistics that

1 The scantiness is due largely to the unwillingness of reporting and statistics-gathering agencies to disclose many processes that reflect negatively on the existing social order; the ambiguity to many serious conceptual and theoretical problems that could be brought nearer adequate solution only if what goes these days under the name of "behavioral science" would devote its energies to important issues rather than to the trivia which so conspicuously dominate the field.

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purport to measure the frequency of suicide among Negroes are subject to the opposite bias: they *understate* to an unknown degree the number of suicides among Negroes living in the United States.

Or take another example: the question whether juvenile delinquency presents a more serious problem in our time than in the past. A definitive answer to this question would seem to be impossible. It depends, first of all, on the official definition of juvenile delinquency and whether it has changed in the course of time. If, as is held by many students of the problem, the definition has *narrowed*, if, in other words, many misdemeanors are now considered "minor mischiefs" while earlier they would have been thought of as acts of delinquency, then clearly recent statistics are not comparable with those of an earlier period.[2] The answer depends, further, on the extent to which the resources of law enforcement agencies as well as their diligence and vigilance have changed over time. Is a larger or a smaller proportion of delinquents (however defined) apprehended and prosecuted by the police and the juvenile courts than, say, fifty years ago? And apart from the quantitative aspect of the matter, there is a qualitative one: has the *nature* (and the motivation) of the delinquent act greatly changed in the last few decades? For it obviously makes a lot of difference whether the delinquent acts consist of murder, rape, narcotics addiction and peddling on the one hand, or petty thievery, unauthorized driving, or precocious drinking on the other. On all of these very important questions there is a tantalizing lack of comprehensive and reliable information, and statistically supportable conclusions are therefore impossible to reach.

These examples could be readily multiplied, but let us present only one more. There is incontrovertible evidence that in the years since World War II, the proportion of marriages ending in divorce (or in legal and/or actual separation) has

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2 A similar consideration makes it impossible to compare the *social class* incidence of juvenile delinquency. What in the case of a middle- or upper-class boy or girl is considered an act of exuberance or a "prank" would in the case of a working-class or a Negro youngster be treated as a manifestation of delinquency.

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been markedly increasing.[3] The conclusions to be drawn from this are, however, by no means unambiguous. While we *think* that this development reflects not merely what is obvious—the tendency to a progressive disintegration and breakdown of the bourgeois family—but also people's *growing* loneliness and misery, there is no way of *proving* the validity of this opinion. Indeed, the argument has been advanced that the very opposite conclusion might be justified, namely, that the increasing proportion of broken-up marriages indicates an improvement rather than a deterioration of the human condition. People have gained more freedom—it is said—and instead of suffocating in the clutches of unhappy marriages are now more capable of rearranging their lives according to their needs and preferences. There is much force in this reasoning, which is only seemingly incompatible with our own view of the matter, and it certainly comes nearer the truth than the conventional image of the typical American's "happy family life" which is supposed to provide the ideal framework for the flowering of individuality, morality, and order. It should be clear in any case, that the argument in question is sufficiently cogent to make it impossible to employ the ratio of divorces to marriages as a meaningful index of people's happiness and welfare.

It is in the face of these obstacles, which seem insuperable —at least to us at the present time—that we have decided in this brief sketch of the present condition of American society to refrain from making intertemporal comparisons with regard to some very important areas. We have arrived at this decision most reluctantly because we are convinced of the indispensability of viewing the phenomena involved in a proper historical perspective, and because it is our considered opinion that our impressions, although *statistically* unprovable, are substantially correct. Nevertheless, in order to keep the discussion from being shunted away from substantive issues to problems of measurement and methodology, we shall confine ourselves to an outline of conditions which *exist at the present time,* leaving

3 Incidentally, even the information pertaining to this area is far from complete. It covers more or less satisfactorily legally obtained divorces and separations, but is deficient with regard to the "poor man's divorce," i.e. simple desertion.

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open the question whether they are different, better, or worse than conditions which existed at earlier periods of the country's history.

This absention from historical comparisons is justified, however, only with regard to some, at the present time immeasurable, aspects of social reality. It is unnecessary and indeed would be wholly inadmissible with regard to others. Thus we can most certainly give quantitative expression to a fact which must never be lost from view: *the society with which we are dealing is very much richer now than at any previous time.* Productivity and *per capita* output and income are much higher than ever before; and as far as economic potentialities are concerned, the gap between *what is* and *what could be* has never been as glaring as it is at the present time. On this there can be neither statistical nor methodological doubt: even the most meticulous purists in the field of national output and income measurement could do no more than raise questions about the exact amount by which output and income have risen, or the precise extent to which achievement has fallen short of potentiality. And these doubts about the specific magnitudes involved, however legitimate, do not affect the nature of our argument and have no bearing on its validity. For they can in no way detract from the crucially important finding that for all the productivity and wealth which it has generated, monopoly capitalism has utterly failed to provide the foundations of a society capable of promoting the healthy and happy development of its members.

I

Monopoly capitalism's failure can be demonstrated even in purely economic terms. For the currently fashionable view, advanced by a number of writers but most eloquently by J. K. Galbraith, that the problem of scarcity is all but solved and no longer constitutes a serious issue in American life is a harmful and dangerous delusion.[4] Not that there is any mystery about

4 Cf. J. K. Galbraith, *The Affluent Society,* Boston, 1958; David Potter, *People of Plenty,* Chicago, 1954; Russell Lynes, *A Surfeit of Honey,* New York, 1953; Jessie Bernard, *Social Problems at Midcentury,* New York, 1957; and many others.

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why this view has found such wide acceptance and acclaim. It jibes with some readily observable features of the contemporary American scene, and it reflects accurately the condition of a large and important stratum of our society, the upper and upper-middle classes, including the now-prosperous academic elite. The economic "satiety" of the latter group has greatly reduced its traditional preoccupation with the "economic problem," only to impart additional urgency to its non-economic troubles and frustrations. What accounts most for the success of the new "affluent society" doctrines, however, is that they provide the intelligentsia with a brand-new ideology, tailor-made to fit the role which it has been playing ever since the end of World War II. Economically well-to-do itself, and conspicuously reluctant (if not fearful) to probe too deeply into the working principles of monopoly capitalism lest it come into conflict with the dominant interests, this group has eagerly seized upon doctrines which rationalize its shrugging off of questions related to society's economic order and permit preoccupation with problems which are closely related to its own existence and at the same time can be probed without inviting the wrath of the powers that be. Thus the new philosophy of abundance soothes whatever guilt feelings still remain, particularly among social scientists, about having forsaken the great tradition of social criticism by shifting attention from the *foundations* of the prevailing economic and social system to some of its consequences and manifestations.[5]

It is true, of course, that the United States is today the wealthiest country in the world: the average income here is

5 It is amusing to observe how even this liberal surface criticism irritates the dyed-in-the-wool conservatives. Galbraith's brilliant remark about Keynes and the Keynesians applies, however, with equal if not greater force to himself and his fellow travelers. They too "have been able to wear a mantle of radicalism that has been unique in all history in its comfort. . . . They could . . . claim that they are being attacked for their efforts to preserve the *status quo*." *American Capitalism,* Boston, 1952, p. 186. Indeed, the non-economic, cultural malaise plaguing our society which Galbraith puts in the foreground of the discussion cannot even be understood, let alone remedied, without the comprehension (and change) of the economic base, the criticism of which Galbraith seeks to remove from the agenda of social science with the simple remark that "it works."

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higher than anywhere else, and it is even quite likely that the worst-situated person in this country is, in economic terms, better off than an average worker or peasant in many underdeveloped countries. But just as it is not particularly insightful to tell a child, confronted at dinner with last week's leftovers, that many children all over the world would be delighted to have his food, so it is irrelevant that even the most poverty stricken segment of the American people is economically better off than the masses in India, the Near East, or Latin America. It is obvious that poverty and privation are not exclusively absolute, physiological concepts, but are also relative, social notions. What matters therefore is *not* the condition of the underprivileged in the United States measured by, say, Indian standards, but their condition expressed in American terms: their social and economic circumstances as compared with those of their more fortunate compatriots and—most important of all—as compared with what they could be in a country with the vast productive potentialities of the United States.

Examined in this light, the situation does not appear to be quite as rosy as the troubadours of the "affluent society" would have us believe. According to studies undertaken by the United States Department of Labor (Bureau of Labor Statistics) and the Heller Committee for Research in Social Economics of the University of California, an urban worker's family consisting of 4 persons needed in 1959-1960 for the maintenance of a "modest but decent" level of living between $5,500 and $6,500 annual income (*before* personal taxes).[6] To be sure, as both organizations explain, this is not an indispensable minimum. In the words of the BLS, "the 'modest but adequate' level of living described by this budget standard is neither a 'minimum maintenance' nor a 'luxury' level. The budget does not show how an 'average family' actually spends its money; neither does it show how a family should spend its money. Rather, it is an estimate of the total cost of a representative list of goods and services considered necessary by 4-person city families of the budget type to maintain a level of adequate

6 The variations are due to differences in living costs between different parts of the country, with the lowest budget estimated for Houston, Texas, and the highest for Chicago, Illinois.

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living according to standards prevailing in large cities of the United States in recent years."[7]

It could undoubtedly be argued that the budgets are on the one hand too "generous," in particular with regard to food, housefurnishings, and clothing; and on the other hand too skimpy, chiefly because they make no provision at all for even minimal saving for such (frequently occurring) emergencies as physical disability and unemployment. But turn and squeeze them as you will, *if conditions of decency are to be used as a yardstick,* the debatable leeway can hardly be very large.[8] That whatever "exaggeration" the budgets may contain cannot amount to very much can easily be seen from such accounts as are available of the living conditions of families that do not have at their disposal incomes such as those required by the BLS and the Heller Committee budgets. We shall come to that presently, but first it is necessary to see to what extent the BLS and the Heller Committee budgets (or reasonable approximations thereto) are actually available to the members of the "affluent society."

A study of the size distribution of personal incomes was recently published by the United States Department of Com-

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7 Helen H. Lemale and Margaret S. Stotz, "The Interim City Worker's Family Budget," *Monthly Labor Review,* August 1960. The Heller Committee states that its budgets "are an attempt to measure the cost of maintaining the commonly accepted standards of living of families. . . . The difficulty in defining the concept precisely, so that there can be no doubt as to what should or should not be included in the budgets, has been pointed out many times. There is, however, general agreement that the budget items should be determined by conventional and social as well as by biological needs. The Heller Committee has attempted to describe the 'commonly accepted' standard of living as the sum of those goods and services that public opinion currently recognizes as necessary to health and reasonably comfortable living. The term 'necessary' as used here includes far more than a minimum of physical needs. It represents what men commonly expect to enjoy, what 'is urgently desired and striven for, special gratification attending substantial success and substantial failure yielding bitter frustration.' " *Quantity and Cost Budgets for Two Income Levels,* September 1960.

8 Needless to say, this is based on the assumption of the prevailing socio-economic environment. Clearly, if, for instance, cheap public transportation were adequate for all essential purposes, or if medical care were socialized and available without private cost, the "minimum" encompassed by the budgets would be correspondingly lower.

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merce.[9] Setting our sights substantially lower than the BLS and Heller Committee budgets by adopting $5,000 as a benchmark family income (before personal taxes), we find that in 1959 (the latest year for which this information is available), 13.1 million urban families, approximately 33 percent of all urban families in the United States, received incomes *below* this level. Their aggregate income amounted to $43 billion, i.e. to somewhat less than 14 percent of all income received by American urban families, and their annual average income was $3,200 (before personal taxes). But the picture would be incomplete if we failed to take account of the 3.3 million families living on farms where average income was approximately $2,500 per year (before personal taxes), and of the over 4 million unattached individuals whose annual before-tax incomes were less than $2,000. This is undoubtedly way below not only the minimum visualized by the BLS and the Heller Committee but any "minimum" that the most ascetic budget compiler could manage to devise. It is surely an understatement to say, with Eleanor Snyder, that "most of us would agree that today the average family requires more than $3,000, and single persons more than $2,000, to maintain an adequate level of self-support."[10]

Taking an average family to consist of 3.67 persons (as estimated by the Department of Commerce), and adding the 4 million unattached individuals with incomes below $2,000, we see that approximately 65 million people, or 37 percent of all Americans, subsist on a level which is markedly below the elementary level of "decency," however defined. And it should be noted that this information does not refer to a year of recession but to 1959, a year of recovery from the 1957-1958 slump, when unemployment was *lower* than in either the preceding year or the year to follow. Considering the rise of total and partial unemployment by the time of this writing, it seems safe to say that at least 40 percent of the American people had incomes insufficient to maintain a tolerable standard of living.

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9 *Survey of Current Business,* May 1961.

10 Eleanor M. Snyder, "Low Income in Urban Areas," *American Economic Review,* May 1960, p. 244.

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Yet these statistics, eloquent as they are, tell only a part of the story. To get an idea of the other part, it is necessary to recognize the situation confronted by the country's unemployed, part-time workers, and those subsisting on public relief and charity. Their number is by no means negligible. "In 1956, the most recent year least affected by economic recession or major industrial disputes, approximately 10 million men, or one out of every four in the productive ages twenty-four to sixty-four years were part-time, part-year workers or else did not work at all during the year."[11] Analyses of this phenomenon and of the forces in the economic system which create and perpetuate it are conspicuously absent from contemporary economic literature.[12] What little is available on the subject is to be found in occasional articles in the daily press, in some government reports, and in pronouncements of vote-seeking politicians. Congressman John M. Slack, Jr., for instance, representing West Virginia, one of the most distressed states of the Union, gave a vivid picture of the condition of 5.2 million people who in the first half of 1959 were receiving relief in the form of surplus agricultural commodities. "Persons in this classification," he observed, "are necessarily unemployed, and have been unemployed for a sufficient time to exhaust unemployment compensation benefits, have generally been certified for direct relief, have little or no income, and few other food sources." According to a study made by the Bureau of Nutrition of the West Virginia State Health Department, the diet of these people gives them only 26 percent of the calories they need, 36 percent of the proteins, and 46 percent of the calcium considered necessary for good health. "In other words, a protracted diet of this kind will create a group of persons who will soon not be able to work,

11 *Ibid.*, p. 245.

12 If Alfred Marshall still thought that "the study of the causes of poverty is the study of the causes of the degradation of a large part of mankind" (*Principles of Economics,* 8th Ed., p. 3), the modern middle-class economist writing for modern middle-class students has more urgent matters to talk about. Thus Paul A. Samuelson's celebrated textbook—frequently spoken of as today's equivalent of Marshall's *Principles*—hardly deals with the problem of poverty at all, and where the subject is mentioned it is only to marvel "how far we have come" from the days of the Industrial Revolution. Cf. *Economics,* 5th Ed., 1961, p. 116.

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and will rear children condemned to be a permanent charge on the community."[13] John F. Kennedy was certainly not exaggerating the scope of the issue when, seeking rather than holding his present office, he inveighed against a condition in which "the facts are that 17,000,000 Americans go to bed hungry every night."[14]

But perhaps all of this is merely a residue of a sinister past, an evil receding in magnitude and acuteness as monopoly capitalist society moves onward and upward towards affluence and welfare for all? As Franklin D. Roosevelt pointed out in his Second Inaugural Address, "the test of progress is not whether we add more to the abundance of those who have too much, it is whether we provide enough for those who have too little." Judged by this—legitimate—test, what C. Wright Mills so aptly referred to as the Great American Celebration has been, to put it mildly, somewhat premature. After more than two decades of exceptional wartime and Cold War prosperity, at least one third of the nation remains ill-fed, ill-clad, and ill-housed. And the share of total income going to the lowest fifth of all American families, having risen from 4.1 percent in 1935 to 4.9 percent at the height of the war in 1944, fell back to 4.7 percent in 1958. At the same time, the top 1 percent of adults owned close to 76 percent of the value of corporate stock in 1953, as against 62 percent in 1922. And our vaunted progressive tax system which supposedly penalizes the rich and favors the poor is actually—if federal, state, and local taxes are taken together—doing precisely the opposite, and thus in fact constitutes a system of regressive taxation.[15] "Recently, a syndicated newspaper columnist answered the question, 'Are the rich getting richer?' with the comforting reply: 'Yes, but so are the poor.' Actually, between 1944 and 1958, the average real income rise of the neediest fifth of our families was $80,

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13 *Congressional Record,* 86th Congress, 1st Session, "Chronic Unemployment Needs Action," Extension of Remarks of Hon. John M. Slack, Jr. on March 12, 1959.

14 New York *Herald Tribune,* April 8, 1960.

15 Cf. the well-documented study by H. Brand, "Poverty in the United States," *Dissent,* Autumn 1960.

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while the rise for the top 5 percent (with average incomes of $25,280) was $1,900. This is spreading 'richness' pretty thin—at the bottom. As a result of this kind of 'sharing' the portion of personal income going to the lowest fifth . . . in reality is going down. It is also important to note that even . . . [this] division of income shares . . . actually *understates* the affluence of the families at the top. While the average of $1,460 for the lowest fifth in 1958 (less than $25 per week) was hardly sufficient to provide necessities even for a single person family, it is safe to assume that the $25,280 average reported for the families in the top 5 percent by no means accounts for all of their actual income."[16]

The substandard incomes received by a large, and—despite all apologetic assertions—by-no-means shrinking proportion of the people constitutes only the most general aspect of the realities of American life. To comprehend fully its significance, one must constantly bear in mind that what these income levels concretely mean is slow starvation for millions of people. And, one must continually remember that this stage of hunger persists not in a poor, underdeveloped area but in a country the actual (not to speak of the potential) agricultural output of which is such that its official agricultural policy consists of an endless series of efforts to curtail, prevent, and destroy the production of the very food that is desperately needed by at least one fifth of its population.

II

Let us turn now to another facet of these realities where the gap between what is and what could be is no less staggering. What is the state of housing in this country, where the production of steel, concrete, aluminum, glass, and other building materials is by far the largest in the world? A comprehensive study of prevailing housing conditions would take us far beyond the limits of this work; the following sketchy account will necessarily have to be confined to a few salient points.

In the 1960 Census of Housing, of the country's 53 million

16 American Federation of Labor and Congress of Industrial Organizations, *Labor's Economic Review*, August 1960. (Italics in the original.)

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occupied housing units, 8.8 million (16.6 percent) are classified as lacking private toilet or bath or running water.[17] Nearly two thirds of these dwellings are what the Census refers to as "deteriorating" or "dilapidated."[18] The median number of persons living in a housing unit is estimated to be 2.9. Since the median is the value above which half of the observations lie and below which half of the observations lie, and since the dwellings of the poor are typically more congested than those of the better-off, we can hardly take this figure as an appropriate one for estimating the number of individuals living in substandard quarters. Yet even using it, we arrive at 25.5 million people. The magnitude of the problem is certainly not overstated by one specialist in the field who wrote in 1955 that "one in ten American families occupies a dilapidated dwelling; an even larger proportion of units still lack commonplace sanitary facilities."[19]

This refers to the population as a whole. The living conditions of the nonwhite population taken by itself are much worse. Of 5.1 million housing units inhabited by nonwhites, as many as 2.3 million (45 percent) lack private toilet or bath or running water, with the proportion of deteriorating and/or dilapidated units being markedly larger than for the entire country. As the number of people per housing unit is usually much higher among nonwhites than among whites, it is safe

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17 Computed from U.S. Department of Commerce, Bureau of the Census, *1960 Census of Housing: Advance Reports Housing Characteristics,* April 1961.

18 "*Deteriorating* housing needs more repair than would be provided in the course of regular maintenance. It has one or more defects of an intermediate nature that must be corrected if the unit is to continue to provide safe and adequate shelter. Examples of such defects are shaky or unsafe porch or steps; broken plaster; rotted window sills or frames. Such defects are signs of neglect which lead to serious structural damage if not corrected. . . . *Dilapidated* housing does not provide safe and adequate shelter. It has one or more critical defects; or has a combination of intermediate defects; or is of inadequate original construction. Critical defects are those which indicate continued neglect and serious damage to the structure." *Ibid.,* p. 2.

19 Chester Rapkin, "Some Effects of Economic Growth on the Character of Cities," *American Economic Review,* May 1956, p. 295.

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to say that more than half of the nonwhite population has no adequate housing.

Matters appear in an even more somber light when attention is focused not on national aggregates but on cities. National statistics cover also rural areas where subsistence in dilapidated housing without elementary sanitary facilities—however degrading and destructive—is qualitatively different from life in the blighted areas and slums of our urban settlements. At the time of this writing, information on the extent of urban blight and slums has not yet been distilled from the 1960 Census data; what was disclosed by the 1950 Census and by numerous studies and observations published in recent years conveys, however, a sufficiently clear impression. Writing on the state of urban housing in 1957, the editors of *Fortune* magazine reported: "The slum problem in our great cities is worsening. Today some 17 million Americans live in dwellings which are beyond rehabilitation—decayed, dirty, rat infested, without decent heat or light or plumbing. The problem afflicts all our metropolitan cities [i.e. those in the Census Bureau's 168 standard metropolitan areas], but it is most severe in the biggest, richest, most industrialized cities."[20]

Even this statement fails to convey the enormity of the problem: what is worse, it suggests an emphasis which is essentially erroneous. Lately it has become fashionable to return to an old, romantic tradition of considering the "biggest, richest, most industrialized cities" to be *per se* the source of most evils besetting our society. We shall come later to the ideological implications of these attacks against "bigness," against "modern industrial society," and the like. What matters in the present context is simply that these attacks are for the most part directed against the wrong targets. As pointed out in a careful recent study: "In very broad, general terms, it can . . . be stated that there is a configuration of blight prevalent in *virtually all cities*. . . . There is no correlation with population size. In short, *the problem is clearly not limited to metropolitan centers*. All cities, large and small, suburban city, core city, and independent city

20 *The Exploding Metropolis,* by the Editors of *Fortune,* Garden City, New York, 1957, p. 92.

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are involved."[21]

Thus, for example, in 1950 in Robbins, Illinois, with a population of 4,766, 85.6 percent of all dwelling units were dilapidated, lacking running water, toilet, or bath; while in the standard metropolitan area of Indianapolis, Indiana, inhabited by 551,777 people, "only" 31 percent of dwelling units were in comparable condition. Or take Cambridge, Massachusetts, the seat of the nation's oldest and most famous university, where it was found in 1958 that "57 percent of Cambridge housing at the present time is substandard; 22 percent of the housing actually beyond rehabilitation."[22]

To be sure, in large metropolitan centers this cancerous growth is most readily seen and its impact on people's lives is particularly striking. "New York," wrote two reporters in 1959, "is a sprawling, voracious monster of a city. It covers 315 square miles; it is crammed with some 8 million people. At least a million, a full eighth of its total population, live in packed squalor, six and ten to a room, in slum tenements whose mere existence is a nauseous stench on the air—tenements so rat-infested that on the average, one hundred persons a year are badly chewed and, so far this year, two have been actually gnawed to death. Symbolically, perhaps there are in New York more rats than people—an estimated 9 million of them."[23] And Charles Grutzner stated in 1958: "An estimated 400,000 of the 2,250,000 dwelling units [in New York] are in slum buildings. About 282,000 of these fall short of the U.S. Census Bureau's standard housing requirements in that they lack private toilet or bath, are 'cold water flats' or have no running water, or are in a bad state of physical deterioration. Another 118,000, though meeting the Census Bureau's low structural requirements, are so overcrowded and so violate the city's health, sanitary or occupancy standards as to warrant their inclusion in any slum

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21 Reuel Hemdahl, *Urban Renewal,* New York, 1959, p. 46. (Italics added.)

22 Cambridge Civic Association, *Civic Bulletin,* November 1958.

23 Fred J. Cook and Gene Gleason, "The Shame of New York," *The Nation,* October 31, 1959.

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count."[24] But as Edward J. Logue, the Development Administrator of New Haven, Connecticut, remarked:

> Perhaps we need fewer statistics and instead a few good old-fashioned walking tours: walks through the slums, up the stinking stairways into the overcrowded, shabby rooms; walks through the run-down commercial areas, taking care to glance above the first-floor store fronts at the dusty windows of the deserted upper floors; walks through the oil-soaked, dreary factory lofts built before the assembly line was ever heard of. The filth, the misery and the danger are all there—easy to see and, once seen, impossible to forget.[25]

We have deliberately drawn on the most recent available information concerning the state of housing in view of the widely held opinion that a major improvement in this regard has taken place during the "affluent" postwar period. Such unfortunately has not been the case; whatever modest efforts have been undertaken on the part of governments—federal, state, and local—to cope with the housing situation have not only failed to get anywhere near the roots of the problem but have actually led to a further aggravation of what already constitutes a severe national crisis. As a result, matters have gone from bad to worse: slums and blight, instead of contracting, have actually spread. New York, which is by no means the worst but only the best known case in point, in the years 1950-1958 "has completed or got under way thirteen projects with federal aid. They involve clearance of 227 acres of slums and the replacement of 20,437 bad housing units with 21,820 new units in addition to such embellishments as the Coliseum and the Lincoln Square cultural center. The net gain of 1,383 apartments is small in the face of the housing shortage. . . . The overall program . . . would redevelop a total of 906 slum acres over the next decade and provide 65,000 new apartments. . . . This ambitious [sic!] program would . . . clear only about one eighth of the existing slum acreage, without necessarily halting

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24 *The New York Times,* November 30, 1958.

25 "Urban Ruin—Or Urban Renewal?", *The New York Times Magazine,* November 9, 1958.

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the formation of new slums."[26] "The truth is," remarks Mr. Logue in the previously cited article, "that all that has been accomplished with the $20 to $30 million doled out to New York yearly from limited federal funds has been far from enough just to keep even in the struggle against spreading blight."

It is of the utmost importance to understand clearly the reasons for this dismal state of affairs. Some liberal critics of the obviously indefensible *status quo* blame it on people's insufficient awareness of the prevailing situation, resulting in too-skimpy appropriations of governmental funds to the so-called "public sector." Others blame the chaotic overlapping of local authorities, the nearly complete immunity of municipal governments from genuine democratic control, the resulting graft and corruption among city officials, and the notorious responsiveness to pressure groups among legislators on all levels. There is undoubtedly more than a grain of truth in all of these strictures; the trouble is that they hardly scratch the surface of the problem. To begin with, there are probably more competent, unselfish, and dedicated men and women working in the area of city planning and housing than in most other fields of public and private endeavor. If it is true that graft and corruption at all levels of government and administration continually thwart their efforts and lead them to produce results which are the very opposite of what was intended, then this phenomenon has to be *explained* rather than simply taken for granted and attributed to the "human nature" of legislators and administrators. Moreover, it is grossly misleading to argue that inadequate support for the public sector *as a whole* is a major cause of the tragic condition of housing. Quite apart from the fact that the military establishment, which obviously belongs to the public sector, can surely not be considered to have been treated as an unwanted stepchild, it is far from certain that such resources as are placed at the disposal of government are so allocated as to promote the public welfare.[27] A strong case can be made, for instance, for the proposition that governmental expenditures on

26 Charles Grutzner, *loc. cit.*

27 This whole subject is discussed at length in Chapter 6.

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highways—also a part of the public sector—have been excessive rather than insufficient. Just to illustrate: in 1959, $9,726 billion were spent by governments (on all levels) on highways, as against $838 million on "housing and community redevelopment."

Thus the key to the puzzle must be looked for elsewhere. As a first step it will be useful to visualize concretely the process by which so-called urban redevelopment, renewal, or slum clearance projects are actually carried out. At the cost of oversimplification, but without omitting any important links in the chain, the operation can be briefly described as follows. Some municipal commission or bureau designates an urban area as being in especially urgent need of redevelopment. On the strength of the powerful privilege of eminent domain, some or all of the buildings in the designated district are condemned, their owners are paid the appraised value of their properties, and the dwellings and land are sold to a developer who undertakes to demolish the existing structures and to erect new ones in their stead.[28] What is of crucial significance to the entire enterprise is that the municipal authorities (or any other authorities for that matter) have no control over the developer after he has acquired title to the real estate which he sets out to renew. The only regulations to which he is then subject are whatever building and zoning codes may be on the statute books of the cities in question.

A short detour: those who are versed in the "economics of graft" will need only a moment's reflection to recognize the immense possibilities for corruption that are "built into" the scheme just described. First, since typically the entire map of a city is marked by more or less sizable districts of blight and slums, at any given time one or another district has to be chosen for the next redevelopment project. Obviously, whoever is in charge of choosing is in a position to let the decision be influenced by many weighty considerations. One could be, for instance, the municipal authorities' preference for decorum and display, which would suggest giving high priority to the clear-

28 It is primarily in helping to carry the losses which the municipal authorities suffer in these transactions that federal grants-in-aid enter the picture. This aspect of the matter need not detain us, however, at this stage.

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ance of areas that are unseemly and offend the sensitivities of the town's "power elite," and its domestic and foreign visitors—without necessarily containing the city's worst slums. Such areas are readily found in the choicest parts of the city; would-be redevelopers are likely to be interested in them; and their renewal therefore appears most attractive not only on political or public-relations grounds but also because of comparative inexpensiveness to the city's treasury. Another factor which may decide the choice of a renewal district is demand on the part of real estate operators. A spot may appeal for any number of reasons (location, proximity to "good" neighborhoods, natural setting, transportation facilities, and the like) to a construction firm as a good site for new housing, and its bids may convince the authorities of the urgency of designating it as a renewal-worthy slum area. It should be quite clear that in making their choices those to whom the selection of renewal areas is entrusted are subject to strong pressures to take into account not merely the legitimate housing requirements of the ill-housed but also other interests of an entirely different kind.

Similar considerations apply with equal force to the second step, the selection of the firm to which the contract is to be awarded. Although equal and secret bidding is the officially professed principle by which such awards are to be guided, the evidence is overwhelming that the function of this principle is to hide rather than define the motives for the choices that are actually made. Political connections with machine-ridden muncipal administrations, outright bribery, "cutting in" of important officials in various deals are daily reported in the press as playing a major part in securing the coveted contracts. It can be easily imagined how much opportunity there is for corruption and nepotism when in addition to the actual dollars and cents amount appearing on the bid, the bidding firms' credit standing, reputation, and similarly vaguely defined characteristics can be legally taken into account in making the final awards. If it is considered, furthermore, that the redeveloper's profits largely depend on various specific terms of the contract, and that these terms have to be bargained out with municipal officials, it cannot come as a major surprise that honesty and civic responsibility are not among the outstanding virtues of

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those connected with urban renewal programs. For they too—to borrow a remark of Oscar Wilde's—can resist anything but temptation.

But to return to our main theme: once the developing firm has acquired the right to dispose of the land and buildings in a condemned district, it may proceed with demolition work so as to clear the ground for the new structures. We may disregard here such shenanigans as protracted postponement of the entire operation, which enables the developer to rake in considerable rental income from *existing* buildings. These, as well as various intricate tax maneuvers,[29] provide additional raisins for the rich cake served up to the "renewer." The important point to stress here, however, is that once the bulldozers have gone to work and the houses or blocks marked for destruction have been obliterated, their evicted inhabitants are left to their own devices. Their further fate is no concern of the construction firm nor of anyone else for that matter. Some public or private charity may or may not dole out a few dollars to help cover their moving expenses; finding a place to live is left to their own resourcefulness. And so the dislodged slum-dwellers scurry around looking for another dwelling, double up with others, crowd entire families into single rooms of boarding houses or subdivided apartments, and thus transfer to other parts of the city the slum conditions from which they were just evicted. And in the process, all the friendships and personal ties which in their old surroundings eased the burdens of life and provided a minimum of comfort and security in times of adversity are destroyed. "As the program now operates," concludes a recent comprehensive study of the subject, "the truly indigent are not aided by urban renewal, and many of them are made more miserable by being uprooted from their familiar neighborhoods into other districts where they have no ties or affections"—and where, we may add, they usually have to pay more for less space.[30]

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29 An excellent description of the latter can be found in Daniel M. Friedenberg, "The Coming Bust in the Real Estate Boom," *Harper's Magazine*, June 1961.

30 Edward Higbee, *The Squeeze: Cities without Space*, New York, 1960, p. 83. The only thing new about urban renewal, of course, is the

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And now we come to the nub of the entire enterprise. With the buildings in the redevelopment area erased and with their inhabitants dispersed, the contract-holding construction firm is free to embark upon its project. And that project, as hardly needs to be emphasized, will be one that will assure the firm of the highest possible returns on its investment. In the construction business, as everyone knows, such returns are not obtained by building sound, low-rent (or low-price) housing for low-income people. Large profits can be made only by constructing (and leasing or selling) luxury apartment buildings, skyscrapers for commercial use, or private houses for upper- and middle-class residents. Accordingly, to quote Mr. Higbee once more, "slum clearance under present rules should be labeled properly as slum relocation or slum shifting. It is not true urban renewal. Instead of being social uplift programs as sometimes depicted, the big renewal projects in residential areas have been called land grabs aided by government subsidies and the powerful privilege of eminent domain."[31] It goes without saying that all of this has nothing to do with solving the country's housing crisis, with providing decent shelters to the nation's underprivileged third. In the incisive words of Professor James Marston Fitch: "Many . . . urban renewal projects seem . . . to be merely clusters of upper-class apartment houses. Even when these projects are not touched with scandal or the suspicion of profiteering, there must be grave doubts about the wisdom of clearing slums only to replace them with luxury housing. The pattern of giant towers standing in landscaped deserts is class

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name. "No matter how different the reasons may be," wrote Friedrich Engels nearly a century ago, "the result is everywhere the same: the most scandalous alleys and lanes disappear to the accompaniment of lavish self-glorification by the bourgeoisie on account of this tremendous success, but —they appear again at once somewhere else, and often in the immediate neighborhood." Engels, "The Housing Question," in Marx and Engels, *Selected Works in Two Volumes*, Vol. 1, Moscow, 1950, p. 550.

31 *Op. Cit.*, p. 86. It should be noted in passing that the government subsidies referred to are not limited to the federal grants-in-aid which were mentioned earlier, but also include outlays on new schools, roads, parks and the like which the municipal authorities obligingly provide at public expense for the new high-income residents of the redevelopment areas.

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architecture of the most blatant sort."[32]

What are the chances that a better showing will be made in the housing field in the years immediately ahead? Unfortunately, very poor indeed. Not that there is any lack of knowledge of what ought to be done or any deficiency of means to do it. On these points, the report of the Commission on National Goals, appointed by President Eisenhower during his second term of office, could hardly be more explicit: "There will have to be about ten million additional homes in the United States by 1970, and there ought to be up to ten million more to replace seriously substandard dwellings and the large number normally lost for other reasons. . . . Two million dwellings per year is about 40 percent higher than the record output in 1950 and over 60 percent more than the annual average for the decade. *But this volume, plus rehabilitation and services, is well within the prospective capacity of the construction industry.* . . . This rate of construction cannot be achieved if the market for new housing remains limited to the top 30 to 40 percent of the population (less in high-density development), with a tiny volume of public housing (2½ percent of new construction in 1959) at the bottom."[33]

What this means, of course, is that, barring far-reaching political changes of which there is now no sign, the indicated rate of construction *will not* be attained. At no time in the history of capitalism have the lower-income groups provided a market for new housing, and the record of the postwar years proves conclusively that this is as true in the era of "affluence" as it was in earlier periods of "scarcity." And for reasons which have already been sufficiently elaborated in an earlier chapter, there is not the slightest prospect that public housing will take

32 "In Defense of the City," an address before the Academy of Political Science at the Spring Meeting on "The Urban Problems," April 29, 1960. The Academy of Political Science, Columbia University, 1960, p. 10.

33 Catherine Bauer Wurster, "Framework for an Urban Society," *Goals for Americans: The Report of the President's Commission on National Goals,* New York, 1960, pp. 234-235. (Italics added.) It should be noted that in preparing her memorandum, Mrs. Wurster was advised by a panel of outstanding authorities in the field.

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on serious proportions as long as political power remains concentrated in the hands of a moneyed oligarchy. What parades as urban renewal, as we have seen, has more to do with housing the rich than the poor. Thus the prospect for the future is no brighter than the achievement of the past. What can be expected in the 1960's is a continuation of the trends of the preceding years of the Great American Celebration: more and more sumptuous residences for the upper class; better houses for the middle class; and no improvement, indeed over wide areas spreading blight and slums, for the underprivileged majority.

There was a time when it could have been argued that society lacked the resources to solve the housing problem, that the deprivation of the many for the benefit of the few was the price of civilization and progress. That argument has long since lost its force. As Mrs. Wurster says in the passage just quoted, the provision of the needed houses is today "well within the prospective capacity of the construction industry." What is required now is "only" the will to use this capacity in the interests of the poor rather than in the interests of the rich. No more *talk* about the "affluent society," the "welfare state," and the like; no more hypocritical legislation to enrich the land speculators and real estate operators; no more investigations to prove what has already been proved a hundred times—what is now needed is genuine planning and resolute action to rehouse the great majority of the American people. Such planning and such action, however, will never be undertaken by a government run by and for the rich, as every capitalist government is and must be. To demand these things from a capitalist government is to demand that it cease to be capitalist.

III

Two developments which profoundly affect the quality of present-day American society must now be considered. One is the spectacular spread of suburbia in recent times, and the other the no less dramatic congestion, and in some areas threatened breakdown, of the country's transportation system. It goes without saying that these developments are closely related to the

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housing problem; indeed it is hardly an exaggeration to say that the spread of blight and slums and the growth of suburbs are actually but two sides of the same coin. As street after street and neighborhood after neighborhood fall prey to squalor, overcrowding, and dilapidation, their relatively well-to-do inhabitants move elsewhere. And since land values in the cities' better districts are high, and apartments and single-family dwellings accordingly expensive, indeed out of reach of all but the truly rich, middle-class families with children in need of "living space" go out of town. As a result there has taken place since the war a massive internal migration involving the construction of nearly 15 million one-family houses—mostly in suburban areas. This tremendous expansion of surburban living has probably contributed more than any other single factor to the emergence of the image of American well-being in the years following World War II. The suburban house with its electric kitchen and washing machine; multiple bathrooms; "rumpus," "family," and "TV" rooms; backyard, front lawn, and two-car garage has become the symbol and the showpiece of America's affluent "way of life." Exhibitions abroad, including the one held in the Soviet Union, which are calculated to impress foreigners with the accomplishments of the United States invariably present a facsimile of some such "home" as their principal *pièce de resistance.*

It would be a major error, however, to believe that all of suburbia consists of luxury housing of this kind. While "there is no doubt that suburbanization is a cream-separation process, whereby the better paid middle class is floated off by itself where it spends less on public welfare and more on its own desires,"[34] it must be borne in mind that there are tremendous qualitative differences both *between* suburbs and *within* suburbs. Some that sprang up in the last couple of decades or greatly expanded in relative proximity to larger cities consist wholly or partly of commodious, well-built houses situated on sizable lots and providing their occupants with living quarters of a kind until recently accessible only to the very top layers of the ruling class. These residences are clustered together in what are re-

34 Edward Higbee, *op. cit.*, p. 100.

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ferred to as "exclusive" neighborhoods, enjoy good public services, spacious and well-equipped schools, recreation facilities, and the like. This concentration of the expensive houses of the rich produces what might be called a "secondary cream-separation process" by which the upper and upper-middle income strata remove themselves into splendid isolation from the rest of the middle class inhabiting the bulk of suburbia.

The dwellings of the latter social group, a large majority of suburban housing, are for the most part shoddily constructed tract houses erected on minimum-size lots with low life-expectancy and correspondingly high maintenance costs. The widely advertised fact that a considerable proportion of these houses are owned by their occupants should not be taken too seriously. As Mr. Higbee points out, "ownership" of a home is today "but a thin veil of modesty hiding an all too naked long-term loan."[35] And the servicing of the loan, the payment of high (and sharply regressive) real estate taxes, of bills for utilities and continually recurring "extraordinary" repair jobs by carpenters, plumbers, roofers, and electricians claim a major share of the "owner's" income.[36] With repairs being frequently postponed and neglected, with dilapidation setting in at an early stage, the suburban subdivisions and developments, crowded into small areas and provided with minimal communal services, rapidly deteriorate and display a strong tendency to evolve into a suburban variety of slum and blight.

Still, there can be no doubt that as far as housing in the narrowest sense is concerned, the move to even one of the less desirable suburban locations represents a significant advance in the physical well-being of middle-class families (in particular their women and children) that were previously suffocating in dingy, stuffy, and crowded urban dwellings. Some fresh air, a few trees and plants, an additional couple of hundred square feet of floor space, and the opportunity for children to play outdoors, all constitute an improvement by comparison with the confined existence in congested urban communities. Yet

35 *op. cit.*, p. 40.

36 Cf. Glen H. Beyer, *Housing: A Factual Analysis*, New York, 1958, p. 163.

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before even this partial balance can be struck in favor of the suburbs—we shall come later to more important aspects of the matter—consideration must be given to one feature of suburban life which affects primarily, but by no means exclusively, the breadwinning member of the family. This is the acute and ever sharpening crisis of transportation.

The part played by the evolution of transportation facilities in the shaping of American life has been both decisive and paradoxical. Until World War I, the settlement of out-of-town areas by people working in urban centers was more or less closely circumscribed by the structure of the railroad network. With the railroads limited to providing station-to-station service and readily accessible only from relatively short distances on both sides of the tracks, these areas of necessity remained quite restricted. It was not until the massive spread of the automobile in the late 1920's that what were previously thought of as remote locations could be turned into sites of large suburban settlements. Although it would be wrong to ignore the many ecological factors which contributed to the growth of suburbia, there can be no doubt that the uneven but incessant proliferation of the automobile has been the principal force promoting its spectacular expansion as well as the no less dramatic transformation of the city itself. The number of passenger cars registered in the United States rose from 8 million to 23 million during the booming decade of the 20's, increased only slightly (by a little over 4 million) in the depressed decade preceding the outbreak of World War II, and then leaped to 40 million in 1950 and to almost 62 million in 1961.

The overall economic impact of this momentous development has been dealt with in Chapter 7, and other aspects will be touched upon in the next chapter. The point to be stressed here is its immediate effect on the transportation and working and living conditions both in the cities and in the suburbs. It is in this regard that the dialectic of the process is most striking. By "negating" radically the slowness of the horse-pulled carriage as well as the rigidity of the track-bound train, the automobile made it possible to expand tremendously the city's residential hinterland. Direct motoring or combining driving a car with riding a train enabled people to move to places within a radius

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of as much as fifty miles from their work, with the result that in a few decades some of the most populous and economically developed parts of the country were transformed into vast areas of contiguous urban and suburban settlements.

The "negation of the negation" was not long in coming. Just as when everyone follows the example of a man in a crowd who climbs on a chair to get a better view, with the result that no one can see more than before but the whole crowd has exchanged standing on firm ground for balancing on a shaky foundation, so the proliferation of the automobile is all but annulling, in many parts of the country, the initial advantage enjoyed by the early owner. The sequence of events assumes the stringency of inescapable fate. As the car- and smog- and noise-infested city becomes increasingly uninhabitable, the number of people moving out of town increases, and with them the number of automobiles which they rely on for daily commuting to work. The roads and highways become congested to the point of strangulation, the problem of parking facilities grows all but insoluble, and the automobile turns into the very opposite of what it was originally intended to be: from a means of rapid transportation into an insuperable obstacle to traffic.

Thus to the suburbanite who was originally lured out of the city by the availability of speedy and convenient transportation, going to work and returning home become increasingly time-consuming, nerve-wracking, and tedious. And "once parking fees and tolls for highways, bridges, and tunnels are added to personal expenditures for automobiles, the total amount spent by Americans for motor transportation comes up to a substantial and increasing part of their personal incomes."[37] Nor is the automobile as a source of pleasure what it used to be. With the spread of suburbia, ever longer distances need to be travelled before anything worth reaching can be reached. The best cars in the world have no place to go; the most super superhighways in the world lead nowhere. . . .

The rapid progression of the automobile towards self-

37 Jean Gottmann, *Megalopolis: The Urbanized Northeastern Seaboard of the United States,* New York, 1961, p. 679.

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frustration involves much more than the automobile itself. In the process it has been dealing mortal blows in various directions. It forces the earmarking of an ever-increasing volume of resources to the construction of additional highways, with this entire gigantic effort being continually overtaken by the even more sweeping expansion of traffic. It necessitates a steadily growing allotment of space to parking facilities, with the result that "the more space is provided cars in cities, the greater becomes the need for use of cars, and hence for still more space for them."[38] It diverts a growing number of commuters from the railroads thus leading to more expensive and progressively worse railroad passenger service, which in turn augments the number of cars on the roads. And it undermines in the same way (and with the same effect) whatever rapid transit systems exist (or existed) in the cities, so that "many experts feel that it is too late to save public transportation in America."[39]

The outcome for people living in city and suburb is truly dramatic. The automobile—conceived, born, reared in the city and having in turn given birth to the suburb—is now devouring its parent and its offspring alike. Having appeared as a harbinger of a new freedom—the freedom of movement—it is reducing the mobility within cities and rendering life in the suburbs a traumatic experience for all those who must commute to and from their work. As in the case of much technological progress under capitalism, the fruits of the automobile are turning out to be the opposite of its immense potentialities. Instead of making the country of its emergence and mass adoption a better place to live in, it leads thoughtful observers to remark: "It can justifiably be said that our country in many respects is becoming less and less *habitable*. The meaning of the word 'habitable' can be simply defined. It connotes a living place that is practical for the purposes of both work and leisure, that is healthful and that, finally, contributes to a sense of happiness."[40]

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38 Victor Gruen, as quoted in Jane Jacobs, *The Death and Life of Great American Cities,* New York, 1961, p. 351.

39 Jean Gottmann, *op. cit.*, p. 658 n.

40 Fairfield Osborn, "Foreword," Edward Higbee, *op. cit.* (Italics in the original.)

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IV

"Not by bread alone" and, indeed, most of those who do more than simply take the structure and the values of monopoly capitalist society for granted, who reflect on its *raison d'être* and seek to defend it against socialist criticism, have lately been pivoting their case on this society's allegedly superior capacity to satisfy the spiritual and cultural needs of its members.[41] This is undoubtedly a weighty argument which calls for careful scrutiny. Fortunately, the task is greatly facilitated by the fact, perceptively observed by the First Official U.S. Education Mission to the USSR, that "the educational system of any people or country is one of the most brilliantly illuminating facets of a culture."[42] Bearing this in mind, we shall devote the remainder of this chapter to an examination of education in the United States today.

What then is the state of the American educational system? Its official purposes and aims have often been eloquently stated. According to the Dethrick Report, "our system is designed to give young people the know-how to help them to excel in their best fields of endeavor as *free individuals*. We look for the creative spark in every child and try to teach our youngsters how to think independently, and how to work to develop their talents for a useful happy living in a way of life which they may choose for themselves."[43] And Dr. John W. Gardner, President of Carnegie Corporation of New York and Carnegie

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41 In this regard, the defense of capitalism and the attack on socialism have made a 180° turn. Not very long ago, prominent social scientists and economists argued that a socialist economic system based on public ownership of the means of production and comprehensive economic planning may be most desirable on cultural and ethical grounds but is completely unworkable on economic grounds: bereft of the institutions of private property, deprived of the benefits of the profit motive, and left without guidance by the competitive market, such an economic organization would necessarily lapse into a state of chaos. How different from the story which one reads nowadays!

42 *Soviet Commitment to Education*, U.S. Department of Health, Education and Welfare, Bulletin 1959 No. 16, Washington, 1959, p. 116. This document is henceforth referred to as the Dethrick Report.

43 *Loc. cit.*

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Foundation for Advancement of Teaching, who, as "one of the country's most respected educational leaders," was entrusted by the President's Commission on National Goals with writing the report on education, proclaims that "a society such as ours, dedicated to the worth of the individual, committed to the nurture of free, rational, and responsible men and women, has special reasons for valuing education. Our deepest convictions impel us to foster individual fulfillment. We wish each one to achieve the promise that is in him. We wish each one to be worthy of a free society, and capable of strengthening a free society."[44] In fact, much of the currently fashionable talk about "people's capitalism," about the emergence of a classless society in the United States,[45] is based on the view that the American educational system, by increasingly providing all citizens of the country with equal opportunity to receive a good education, creates conditions for the breakdown of the class barriers of old.

A number of important assertions are involved, and it may be best to examine them in turn. Let us begin with the purely material, economic aspects of the matter. Professor Trace is entirely right, we believe, in stressing that "the school with the newest building, the most spacious library, the most modern gymnasium, the brightest classroom, the smallest classes, the shiniest equipment and the hottest lunch program may still be a school in which very little learning is going on."[46] Nevertheless, it is of considerable importance to know what volume (and proportion) of available resources a society places at the disposal of its educational establishment, and to what extent the resources thus employed provide equal educational opportunity for all.

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44 *Goals for Americans,* p. 81.

45 "A number of influential voices have been advising us that whatever social classes we ever had are now indeed withering away. We are being told that the people of our country have achieved unparalleled equality." Vance Packard, *The Status Seekers,* New York, 1959, p. 4. "The organization of a market capable of absorbing the machine's inexhaustible output has abolished classes and greatly reduced the differences between individuals and groups." August Heckscher, *Goals for Americans,* p. 131.

46 A. S. Trace, Jr., *What Ivan Knows That Johnny Doesn't,* New York, 1961, p. 5.

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In 1960—the latest year for which official information is available at the time of writing—the aggregate national outlay, public and private, on education on all levels amounted to approximately $23.1 billion. For this figure to appear in a meaningful perspective, it has to be considered in relation to other magnitudes. In 1960 this total spending on education constituted about 5.5 percent of the country's National Income. Now, Dr. Gardner is undoubtedly right that "even if we knew exactly where Soviet education was going, the information would be of limited relevance. It is impossible to evaluate an educational system apart from the society which it both reflects and serves."[46a] Nevertheless, it is surely not without significance that the total cost of education in the Soviet Union in the late 1950's was authoritatively estimated at between 10 and 15 percent of National Income.[47] Although international comparisons of this kind are notoriously imprecise, there appears to be a general consensus among students of the subject that the Soviet Union's expenditures on education are not only relatively but also in absolute terms larger than this country's. And it ought to be borne in mind that with a *per capita* income at most half as high as that of the United States, this commitment to education involves a far heavier burden on the Soviet people.

But what conveys perhaps an even clearer notion of the relative weight accorded by our society to education is a juxtaposition of the support which it receives with the resource allocations for other purposes. Thus in 1960, the military establishment the size of which is by no means exclusively governed by considerations of national security,[48] cost more than twice as much as the entire educational effort. An amount nearly equal that allotted to the military establishment went to buy the services of financial institutions, stockbrockers, real estate agents, investment counselors, and the like; and the acquisition, maintenance, and operation of automobiles came to over $37 billion—

46a John W. Gardner, "Foreword," James B. Conant, *The American High School Today,* New York, Toronto, London, 1959, p. xi.

47 Dethrick Report, p. 13.

48 This subject is treated in detail in Chapter 6.

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not counting some $10 billion made available for highway construction. Advertising expenditures at the same time were nearly three times as high as all the budgets of our institutions of higher learning taken together.

It could be objected that while this may fall short of an ideal allocation of resources as between different uses, there is no cause for alarm because in absolute terms the educational system is well taken care of and does not suffer from a shortage of funds. Such complacency, however, would be ill-founded. The U.S. Office of Education reports that schools at the present time are accommodating some 1.7 million pupils above their normal capacity, with the result that many classrooms are seriously overcrowded and multiple-shift operations cannot be avoided. In addition, about 2 million children attend schools that are in unsatisfactory condition. At a time when states and localities are spending less than $3 billion a year for school construction, it is estimated that no less than $6 billion will be needed annually during the 1960's to eliminate existing shortages and to keep pace with rising school enrollments.

All this is serious enough, but its effects on the educational system are as nothing compared to those which result from the dismally low salaries which our "affluent society" accords the men and women to whom it entrusts the education of its youth. In 1957, the median annual rate of pay for full-time teachers in public schools was $4,324. Since the average rate of pay is reported to have increased by $424 between 1957 and 1959,[49] and since it is likely that a similar increase has taken place during the last two years, it would seem probable that by now the median salary has risen to somewhere around $5,000.[50] Thus even at the present time, after the post-Sputnik "leap forward" of instructional salaries, one half of the country's teachers receive less, and at least one third much less than what could be considered a living wage.

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49 Helene T. Lesansky, "Salaries of City Public School Teachers, 1957-1959," United States Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*, March 1961, pp. 259 ff.

50 It should be noted that these figures refer to *urban* teachers; the salary level of *rural* teachers is much lower.

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Aggregative information on both school facilities and teachers' salaries conceals, of course, the important regional and social differentials. Taking 80 percent of the inadequate average U.S. expenditure per pupil in elementary and secondary public schools ($341 in 1958) as a benchmark, the Committee for Economic Development found that "eleven states fell below this 80 percent floor in 1957-58—most of them far below it. The states are Mississippi, Alabama, Arkansas, Tennessee, Kentucky, South Carolina, North Carolina, Georgia, West Virginia, Virginia, Maine. The eleven states had 22 percent of the nation's public school enrollment. Low standards affecting more than one-fifth of the nation's school children cannot be dismissed as unimportant."[51]

The social differentiation within the educational system is perhaps even more striking than the regional differentiation, and it flatly contradicts all the fine talk about the "classlessness" of our society and the equality of opportunity which it is supposed to provide for all. The moneyed oligarchy which sits on top of the social pyramid does not, for the most part, send its boys and girls to public schools at all, but rather to exclusive private institutions. The list of these private schools, like the list of the wealthy families which patronize them, is relatively short: their total student body at any one time is some 60,000 to 70,000. Their facilities are usually first rate, their staffs carefully selected and relatively well paid—the average expenditure per student is estimated to be well above $1,000 per year[52]—and their graduates (particularly boys) usually continue their education in one of the ranking private colleges. The social function of these schools and colleges is of the utmost importance. As Mills has said, "if one had to choose one clue to the national unity of the upper social classes in America today, it would best be the

51 Ralph Lazarus, *We Can Have Better Schools,* Committee for Economic Development, New York, 1960, p. 14. It should be noted that a number of other states such as Idaho, Hawaii, Oklahoma, Utah, and Florida are not much above the miserable standards of the Deep South where Mississippi brings up the rear with an annual outlay of $174 per pupil.

52 Boarding schools providing tuition, room, and board cost approximately $2,500 per academic year, not counting clothing expenses, pocket money, and fares.

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really exclusive boarding school for girls and prep school for boys."[53]

But as far as the bourgeoisie as a whole is concerned, the large stratum of the middle class which for one reason or another does not wish or cannot afford to send its youngsters to private schools, the "cream separation process" takes place *within* the public school system itself. In the words of a distinguished educator, "there is concrete evidence which demonstrates beyond reasonable doubt that our public-school system has rejected its role of facilitating social mobility and has become in fact an instrument of social and economic class distinction in American society."[54] Indeed, as Professor Sexton convincingly shows in her remarkable book, "in the schools of modern America we still find that children from 'comfortless cabins,' or to shift time and locale, from 'urban slums' cannot compete with the children of the elite. This is true not necessarily because of any deficiency of talent or ability but because society being dominated by elites has given their children a head start and, following the lead as always, the schools have compounded the advantage by providing them with superior educational services of every conceivable variety."[55] Let us have a look at a few ingredients of this educational mix, confining attention as yet exclusively to the economic aspects of the problem. When it comes to aggregate expenditures, we can do no better than reproduce the relevant passage from a most authoritative recent report:

The contrast in money available to the schools in a wealthy suburb and to the schools in a large city jolts one's notions of the meaning of equality of opportunity. The pedagogic tasks which confront the teachers in the slum schools are far more difficult than those which their colleagues in the wealthy suburbs face. Yet the expenditure per pupil in the wealthy suburban school is as high as $1,000 per year. The expenditure in a big city school is less than

53 C. Wright Mills, *The Power Elite*, New York, 1956, p. 64.

54 Kenneth B. Clark, "Foreword" in Patricia Cayo Sexton, *Education and Income: Inequalities of Opportunities in Our Public Schools*, New York, 1961, p. ix.

55 *Ibid.*, p. xvii.

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half that amount. An even more significant contrast is provided by looking at school facilities and noting the size of the professional staff. In the suburb there is likely to be a spacious modern school staffed by as many as 70 professionals per 1,000 pupils; in the slum one finds a crowded, often dilapidated and unattractive school staffed by 40 or fewer professionals per 1,000 pupils.[56]

Other inequalities are no less significant. Reporting on her thorough investigations in "one of the largest cities in the country and by many standards the most prosperous," Professor Sexton presents a vast body of illuminating information. In the lower-income group, about one half of all schools have no proper facilities for scientific studies; only two percent of the schools in the upper-income bracket suffer from such a deficiency. Whatever may be the general level of qualification and competence of American teachers—and we shall return to this most important question presently—apprentice and substitute teachers certainly do not constitute their leading echelon. And yet it is precisely in the lower-income half of the schools, where the need for well trained and experienced teachers is highest, that one finds that the percentage of classes taught by so-called ESRP's (Emergency Substitute in Regular Position) is more than three times greater than in the schools catering to upper-income pupils. Similarly, medical care at school is provided most unevenly. Although rheumatic fever, strep throat, diphtheria are considerably more frequent among lower-income children than among those from well-to-do families, the pupils of lower-income background receive markedly less medical attention than those attending upper-income schools. According to Professor Sexton,

> what may be the most flagrant example of unequally distributed school services . . . is to be found in the free-lunch program. . . . In the lowest-income group, among children who are likely to be in greatest need of balanced, wholesome meals at lunchtime and who are most likely to be undernourished and ailing, almost half (42 percent) go to schools where free meals and free milk are not available. . . . In addition to being denied *free* lunches where need is obvious, children attending schools without lunchrooms are also

56 James Bryant Conant, *Slums and Suburbs: A Commentary on Schools in Metropolitan Areas,* New York, Toronto, London, 1961, p. 3.

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denied the subsidies that are being put into the *paid* lunch program. Children in upper-income schools, where hot lunches are usually provided, can buy lunches as cheaply as can be made for them at home. In addition, these children are being fed wholesome, balanced meals; they are saved the time and inconvenience of going home for lunch. . . . In low-income areas, where members often work and are not home at lunchtime, children may not eat "lunch" at all.[57]

This account refers to elementary schools. When it comes to high schools, which play a major if not decisive part in determining the adolescent's entire future life, the situation is more complex and even more dramatic. Since high schools are generally much larger than elementary schools and draw their pupils from wider geographical areas, they tend to include a more representative cross section of the community. This is less true of cities, however, where there is a need for more than one high school. Here, the differentiation and discrimination pattern is similar to that prevailing in elementary schools. In such places, "the districts . . . are selective by social class, and every city has its neighborhoods—or at least suburbs—where two-thirds or more of the kids are college-bound. . . . All larger cities also run district high schools in wretched slums, where no more than a handful of the kids have even considered the possibility of college education, and the academic options are severely restricted."[58] The purely material differences between those high schools serving upper- and lower-income groups respectively are no less striking than in the case of elementary schools. They can be seen in the quality (and safety) of the buildings, in the availability of various facilities, in the selection of teachers, as well as in the distribution of scholastic awards and scholarships of all kinds.

In smaller school districts which maintain only one high school catering to the needs of an entire town plus possibly some outlying suburban or rural settlements, the discriminatory process unfolds *within* the high school itself. "In some ways," writes Professor Sexton, "high schools reveal the operation of

57 Patricia Cayo Sexton, *op. cit.*, pp. 134-135. (Italics in the original.)
58 Martin Mayer, *The Schools*, New York, 1961, pp. 323-324.

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the social class system better than elementary schools do. . . . All elementary-school children, regardless of origins and aspirations, study much the same subjects and proceed through the same curriculum. It is only at the high-school level that they begin to go their separate ways. In the high schools students are very methodically sorted out into various categories—like mail in a post office—depending on the school's appraisal of their destination in life."[59] As a result of this "sorting," students get assigned to one of the three typically available curricula or, as they are frequently called, "tracks" or "lanes": college-preparatory, general, and vocational. "Placement in these curricula may determine the student's entire future life. If a student is placed for example, in a general or vocational curriculum (at ages ranging from twelve to fourteen), he will have great difficulty qualifying for college entry or remaining in college should he be admitted. His chances therefore, of moving into professional or highly skilled jobs will be similarly limited."[60]

The relation between the social class into which the pupil is born and the high school "track" or "lane" into which he is shunted by school administrators, counselors, and teachers is thoroughly explored in Arthur B. Hollingshead's classic study of "Elmtown," which he describes as a "typical Middle Western community."[61] The results of his research leave no room for doubt that upper-class pupils have an incomparably better chance of being admitted to and succeeding in the college-preparatory curriculum than the children of lower-income families. Quite apart from the by-no-means unimportant fact that the former group is in all respects better looked after at home and therefore better able to fulfill the school requirements than the latter, every possible privilege and favor facilitate the school career of a boy or girl from a "good family." Professor Hollingshead cites instance after instance of such discriminatory treatment. Thus "it seems reasonable to assume that, if a

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59 *Op. cit.*, p. 152.

60 *Loc. cit.*

61 *Elmtown's Youth: The Impact of Social Classes on Adolescents*, New York, 1949. Cited here from the eighth printing, 1955.

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teacher recognizes that a pupil is doing poor work or failing work, she will give him aid out of class, but what seems reasonable is not what happens; on the contrary, the students reported for poor and failing work are not listed as having received help outside of class. For instance, 27 percent of the class II's were reported at one time or another for poor or failing work, and 92 percent of the class V's; the other classes were distributed between these extremes; conversely, 63 percent of the class II's received aid outside of class, but only 8 percent of the class V's."[62] What is perhaps even more significant is that even in respect to the enforcement of discipline and the grading of school work—operations which one would expect to find conducted with the greatest impartiality—both administrators and teachers tend to apply standards which vary markedly according to the class position of the students. "It is believed widely in classes IV and V," he reports, "and to a somewhat lesser extent in class III, that the grades a student receives are determined by the position of his parents in the social structure rather than by his ability or his industriousness. This belief is not without foundation, as is generally the case when one encounters a persistent belief illustrated by one story after another, over a number of years of questionable grading practices in relation to children of prominent families."[63] Hollingshead concludes: "It is clear that, on the average, the higher an adolescent's class position, the better his chances are to receive high grades. Conversely, the lower one's position in the prestige structure, the more likely the adolescent is to receive low grades. To be sure, a real differential factor in the home environment may be conditioning the child's responses to the school situation in each class, but this does not invalidate the relationship between class and grade."[64]

These facts are, of course, well known to people with practical experience in the educational system. But far from

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62 *Ibid.*, p. 179. In Hollingshead's classification class I is the socially highest, class V the lowest.

63 *Ibid.*, p. 181. See also the significant discussion of "Discipline," pp. 185-192.

64 *Ibid.*, p. 173.

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arousing indignation, they are usually accepted as proof of the "obvious," that upper-class students are more intelligent and academically talented than their lower-class schoolmates. What is really proved is something quite different, that the ruling class under monopoly capitalism has been as successful as earlier ruling classes in instilling into the minds of the ruled the belief that the wealth and privileges of the few are based on natural, inborn superiority. It hardly needs to be said that this belief runs directly counter to the most hallowed of all articles of the "American creed"—that all men are created equal—and it therefore needs to be carefully nurtured and buttressed. This assignment has been, so to speak, handed to the public school system which has cheerfully accepted it and efficiently carried it out. And for this purpose no weapon has been so widely and effectively utilized as the so-called IQ test. "Just as the right to rule was given to kings by God," writes Professor Sexton, "so is the right to rule given to upper classes by 'nature' and by virtue of what they presume to be their superior IQ's."[65]

Yet by no stretch of the imagination can it be maintained that these tests actually measure *innate* ability. In the words of one student of the problem:

> The typical intelligence test includes questions calling for the recall of information. Some questions call for arithmetic reasoning, others call for the understanding of spatial relationships. Many of the questions test the extent of the child's vocabulary. Printed tests, which the child must read, inevitably measure his skill in reading. Now it is obvious that recall of information, arithmetic reasoning, understanding of spatial relationships, extent of vocabulary, and skill in reading are all products of *learning*. Every intelligence test therefore measures how much the child has learned. But how much a child learns depends in part on how much opportunity he has had to learn. . . . A major fact about children. . .is that their environments *are not the same*. They have not all had the same experiences, and they have not all had the same opportunities to learn.[66]

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65 Patricia Cayo Sexton, *op. cit.*, p. 51.

66 Irving Adler, *What We Want of Our Schools: Plain Talk on Education from Theory to Budgets,* New York, 1957, pp. 71-72. (Italics in original.)

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Many similar statements could be cited from authorities in the United States, in Britain, and in many other countries. Indeed, the consensus on this matter is by now so overwhelming that "there is no doubt whatever about the 'class-bias' displayed by intelligence-test scores, from Binet to the present, and at both ends of the range."[67]

With IQ and similar tests having been demonstrated to be nothing but fig leaves covering up the educational system's all-sided discrimination in favor of upper-class children, their protagonists defend them nonetheless on pragmatic grounds. Granting the inability of the tests to establish anything concerning *innate* capacities, they insist on their usefulness and desirability for the *prediction* of the pupil's future academic career. This *is* a cogent argument and it deserves to be taken most seriously. Indeed, it comes much closer to the nub of the matter than the litanies of liberal school reformers who would seek to raise even the lowest test scores by skillful teaching, or the very radical-sounding demand of others that the tests be entirely abolished. For measuring, as they do, the socio-economic background rather than the natural endowments of those who are being tested, and serving, as they also do, to forecast more or less reliably the student's school achievements, the test scores assume a significance which transcends by far the realm of the educational system. They constitute, in fact, most eloquent testimonials to the degree of socio-economic inequality and discrimination in a profoundly class-split society. Complaining about the "unfairness" of the tests, demanding remedial measures within the educational system to improve their outcome, or calling for their outright discontinuation is like seeking to improve or destroy a camera because it turns out pictures of an ugly reality. To be sure, the reality which the IQ and kindred scores depict is *not* the reality of differing *natural, innate* human capacities, gifts, and potentialities. To have exposed as a fallacy *this* claim of Binet, Terman, and others is undoubtedly an important contribution of the modern "anti-IQ-test" movement. To go beyond it, however, and to deny that the test scores mirror more or less adequately the reality of

67 Martin Mayer, *The Schools*, New York, 1961, p. 107.

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human capacities, gifts, and opportunities *within the prevailing socio-economic order* amounts to substituting one fallacy for another, misses the crux of the problem, and inevitably leads to the shallowest kind of meliorism as a way of dealing with a profound human predicament the roots of which reach as deep as those of the capitalist system itself.[68]

This predicament, it is important to understand, affects not only the low-IQ children of the underprivileged classes but also the young of the upper strata themselves. It relates to the *quality* of the education which the schools and colleges purvey to *all* American youth, both privileged and underprivileged. The wholly justified and indeed imperative insistence on the doubly tragic condition of those who are grossly discriminated against should not be allowed to promote by implication the notion that what the upper classes receive is *good* education.

For nothing could be further from the truth. If the object of an educational system—to paraphrase the excellent statements of Dr. Hutchins—should be to help people develop their highest powers, to become as intelligent as they can,[69] and if "the only way to develop the abilities of a child up to the limits of his powers is to strive constantly to develop his powers beyond the limits of his present abilities,"[70] then the schools of this country today perform nearly the opposite of their proper task. This can be seen on all levels of the educational system—elementary, secondary, college, university—and "one thing only prevents our established system of education from crumbling

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68 It may be worth noting also that a sweeping denial of the validity and usefulness of IQ tests can lead to a complete misapprehension of their potential function in a rational socialist society. For it is precisely in such a society, in which the socio-economic opportunities for learning become at least approxmately equal, that investigations of innate ability by means of tests of the IQ type can be meaningfully undertaken. Such estimates may then, but only then, become very useful tools, facilitating a more appropriate organization of the educational process and providing each child with a better chance to follow his or her natural interests and propensities.

69 Robert M. Hutchins, *The Higher Learning in America*, New Haven and London, 1962. See especially the "Preface to the Paperbound Edition."

70 Irving Adler, *op. cit.*, p. 91.

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into the dust and ashes of the minds that devised it, and that is the stubborn virtue of individual teachers."[71] The evidence for this is so overwhelming that the difficulty lies not in assembling it, but in confining this necessarily brief account to the indispensable minimum.

As far as the *elementary* level is concerned—and its importance for the entire future development of the individual can hardly be overstressed—a recently published survey reports that 35 percent of all American youth are seriously retarded in reading, while an additional 40 percent are not reading as well as they might. The following is described as typical of the situation in the country's elementary schools: The first-grade pre-primer contains only 15 different words. A second pre-primer presents only 26 additional words, to be followed by a primer with 80 new words and a "reader" with 114 further words. Thus the successful beginning reader knows 235 different words, and a nine-year old at the end of the third grade "knows" or rather recognizes 1,342 words. Since those words are combined again and again to make up the texts, the latter involve endless and tedious repetition which cannot help stunting the child's interest in and any desire for further reading.[72] This does not mean, to be sure, that some additional vocabulary is not acquired by some pupils at some schools by the age of 9; what it does mean is that this is the *standard* which prevails in elementary instruction.

Lest it be thought that this standard is dictated by the "natural order of things," and kept down by the "innate" abilities of children in general, it is most instructive to have a look at the comparable practice in the schools of the Soviet Union. This is greatly facilitated by the excellent study by Professor Trace to which we have already referred.[73] Whereas, to repeat, the American child at the end of the third grade is

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71 Erik Linklater, *Laxdale Hall,* as quoted in Albert Lynd, *Quackery in The Public Schools,* New York, 1953, p. x.

72 Cf. Charles C. Walcutt, ed., *Tomorrow's Illiterates: The State of Reading Instruction Today,* Boston, 1961, *passim.*

73 *What Ivan Knows That Johnny Doesn't,* New York, 1961, *passim,* but for the information presented in the text, see in particular pp. 30-51.

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familiar with fewer than 1,500 words, the Soviet third-grade reader *Rodnaya Rech* (Native Language) works with approximately 8,000 words; and whereas the fourth-grade American reader includes 532 words not taught in the preceding books, the corresponding Soviet textbook has a vocabulary of approximately 10,000 words, i.e. adds about 2,000 words to those employed in the preceding reader.

The picture is the same if we turn from vocabulary—the simplest yardstick for the measurement of achievement in reading—to the content of what our elementary school children are given to read. In this country, "the selections in elementary school readers for the early grades deal chiefly with cardboard boys and girls who participate in trivial episodes involving mommies and daddies, baby sitters and visiting aunts, grandfathers who own farms, mailmen, corner cops and corner grocers, and other assorted people in a hypothetical and sterilized community." And the authors of the texts which are confined to an intellectual pauper's language are either the compilers of the readers themselves or "unimaginative or unknown children's writers who know all about the rules of vocabulary control." Comparable Soviet readers, on the other hand, consist to a preponderant extent of writings (prose and poetry) by such outstanding Russian authors as Tolstoy, Turgenev, Pushkin, Korolenko, Nekrasov, Gorky, and others. Summing up, Professor Trace writes: "I should like very much to be able to say that there is available among American basal readers a series with selections even remotely comparable in difficulty, in literary quality, and in informational value to those in the *Rodnaya Rech* readers, but I know of none. About the best one can say of these basal readers is that some are worse than others; but not much worse, because they are all bad." Thus, far from making the child as intelligent as he can be, far from striving constantly to develop his powers beyond the limits of his present ability, what our elementary schools are "working on" is to compress the child's intellect to "an oversimplified, exclusively middle-class idealization, almost always unrelated to real life"[74]—or,

74 *Ibid.*, pp. 21, 28, and 29.

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in Mortimer Smith's brutal but apt expression, to "diminish the child's mind."

So much for the elementary schools. As we climb the ladder to the higher levels of our educational structure, the situation becomes perhaps somewhat more complex but by no means better. To be sure, it constitutes a major achievement under advanced capitalism that child labor has been greatly curtailed, if not entirely eliminated, and that nearly all children under 14, and over 90 percent of adolescents in the 14-to-17 age group are enrolled in school. The feasibility of such a nearly comprehensive school coverage indicates, as it were, the existing *potentialities* of education, and provides a concrete demonstration of what *could* be accomplished in this regard in a rationally ordered society. As matters stand, however, these statistics tend to convey an impression which is most deceptive. They suggest that educational accomplishment can be measured in *quantitative* terms, that the *number* of pupils enrolled, the *number* of years of schooling, and the *number* of hours of instruction per week provide meaningful indices of the magnitude and achievements of the educational effort.

And yet when it comes to what is crucial, the *quality* of education, the following statement summarizes probably as well as any the existing state of affairs:

> There is a sort of Gresham's Law at work in American education. Levels are dropping off along the line. An average mark of 85 per cent today is equivalent to the bare average passing mark of 60 per cent a generation ago—indicative of the general downgrading of state requirements for the high-school diploma. Increasingly, the high schools must teach elementary subjects because the elementary schools have failed to do so. The colleges must give remedial courses in high school—sometimes even elementary school—subjects because freshmen cannot spell, write grammatically, express themselves, or. . .because so many of them are mathematical illiterates. Each year we take pleasure in the greater number of American children going to school longer and reaching higher levels of education. But simultaneously the higher levels become lower so we end up where we began a hundred years ago—with an elementary-vocation education for the majority and a poor col-

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lege-preparatory course for a minority of students.[75]

This finding is corroborated by so many different and independent surveys and studies that its accuracy cannot be doubted. Thus in 1960, Project Talent, a vast national testing program involving 450,000 students showed that 99 percent of all high school students cannot write a five-minute theme without mistakes in English. Dr. William A. Gorham, the supervisor of the test, concluded that the results are "a sad commentary on our high school products."[76] Nor is this malaise confined to English. In the words of the Council for Basic Education:

> How can we expect the high school student to master foreign languages if he has never learned in elementary school the rudiments of the structure of his own language? How can he understand history if he has no sense of chronological progression of events; or understand what is happening in other countries if he has no sense of geographical significance or location? How can he understand higher mathematics or the new physics if arithmetic has been taught primarily for its social utility, as something that comes in handy when you want to make change or fill out your income tax? Above all, how can he understand and enjoy good books, or express himself with simple clarity in writing, if he has never learned to read properly or how to write?[77]

At the same time the curricula of high schools are stuffed with courses in photography, woodshop, adjustment to family living, how to deal with the problem of going steady, dating, typing, speech, driving, retail selling, and so forth and so on. As Robert M. Hutchins put it with characteristic pithiness, "American educational standards have collapsed . . . and specialism, vocationalism and triviality have taken over."[78]

It would take us too far afield to try to discuss in any detail the kind of education provided by colleges and universities. With regard to the former, what Thorstein Veblen observed some

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75 H. G. Rickover, *Education and Freedom,* New York, 1959, p. 145.
76 Council for Basic Education, *Bulletin,* December 1960, p. 8.
77 Council for Basic Education, *Bulletin,* January 1960, p. 8.
78 *Op. cit.,* p. xiii.

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45 years ago applies with multiplied force to the present: "Whatever may have been true for the earlier time, when the American college first grew up and flourished, it is beyond question that the undergraduate department which takes the place of the college today cannot be rated as an institution of the higher learning."[79] This is fully recognized by no less an authority than the former president of Harvard, who states that "a bachelor's degree has long since lost any meaning as a mark of scholastic attainment or the completion of a course of formal academic training."[80] The truth is that the colleges have turned into mere extensions of high schools, partly seeking to make up for the most glaring deficiencies of elementary and secondary education, and partly providing their clients with four more years of the same. To some extent this is undoubtedly due, as noted by the education editor of *The New York Times,* to the fact that "even the educational policies and power of the universities are, in the last analysis, at the mercy of the elementary and high schools."[81] More significant, however, is the fact that the forces which determine the quality of our educational system are as actively at work on the college level as they are in the lower stories of the structure. As a result, to quote a recently published, monumental study of American higher learning, "a close look at the college-educated people in the United States is enough to dispel any notion that our institutions of higher learning are doing a good job of liberal education."[82]

Nor should this be a cause for wonderment. In most colleges of the country, good ones and bad ones alike, the first half of the curriculum—usually referred to as the lower division,

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79 Thorstein Veblen, *The Higher Learning in America: A Memorandum on the Conduct of Universities by Business Men,* New York, 1918; cited from the third printing, Stanford, California, 1954, p. 24.

80 James Bryant Conant, *The American High School Today: A First Report to Interested Citizens,* New York, Toronto, London, 1959, p. 6.

81 Fred M. Hechinger, *The Big Red Schoolhouse,* Garden City, New York, 1962, p. 17.

82 Nevitt Sanford, ed., *The American College: A Psychological and Social Interpretation of the Higher Learning,* New York, London, 1962, p. 10.

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or the program of general studies—is devoted to what by all reasonable standards should properly constitute high school or even elementary school subjects. As can be well imagined, this effort is almost inevitably doomed to failure. Whatever may be the possibilities of imparting to college freshmen and sophomores some specific skills and/or bits of knowledge, it is a labor of Sisyphus to try to undo in two academic years the habits of thought, the attitude toward intellectual work, and the mode of studying acquired in the course of twelve years of elementary and secondary schooling. That such is actually the case can easily be seen on all sides. As far as English is concerned, for example, a vast proportion of college *graduates* remain not only ignorant of the contents, trends, and meaning of English and American literature (not to speak of world literature), but also incapable of stylistically and orthographically acceptable writing.[83] And the situation is particularly striking (and fatal) in an area which must certainly be regarded as the backbone of all humanist education: history. Here a one year cram course "covering" the entire time span from prehistoric man to the latest presidential election is superimposed on such historical bits and pieces as may have been acquired in the hodge-podge courses called "social studies" taught in elementary and secondary schools. Considering that these "Survey Courses" on the History of Western Civilization, or whatever similar title they may happen to be listed under, are customarily taught by poorly qualified, inexperienced teaching assistants and instructors—who indeed could be *well* qualified for an assignment of this kind?—and are based on inevitably pedestrian textbooks and voluminous compendia comprising a few assorted pages by every "great" author from Socrates to Arnold Toynbee, the question may well be asked whether a better way could possibly be devised to destroy in the student any interest

83 "Without the least exaggeration I can say that, as a teacher of *graduate* students in English, there is not one single assumption I can make about either knowledge or skill already acquired. I cannot assume a single book read by everyone in my class; I cannot assume knowledge of the simplest Bible story or myth or fairy tale or piece of children's literature." William Riley Parker, Professor of English, Indiana University, as quoted in Council for Basic Education, *Bulletin*, December 1961, p. 10. (Italics added.)

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in history and any capacity for historical thought? It is almost needless to add that the picture is hardly improved by throwing into the "general studies" hopper a couple of elementary courses providing a "smattering of ignorance" in social or natural sciences. It has been observed by many that what "education" of this kind conveys to its beneficiaries is a pretense of knowledge and understanding where none actually exists, a pretense which readily develops into an effective bar to learning and thus becomes more destructive than ignorance itself.

The transition from the lower to the upper division of the college constitutes a certain break. The "make-up" program for the inadequacy of the pre-college education is supposed to be completed in the first two years; the function of the next two is more diversified. A sizable proportion of future college graduates—probably as many as one third—continue through the upper division without any *specific* occupational objective. Coming for the most part from upper- and middle-class families, "too old to play and too young to work," the boys from this group seek the bachelor's degree as an indispensable mark of social status and as a prerequisite for *any kind* of white collar employment in the business world, while to the girls, attendance at college is the best avenue to a suitable marriage. Not interested in any particular field of specialization, most of these students tend to choose what campus opinion considers to be "cinch majors," i.e. areas in which sailing is known to be easy, and to limit their exertions to whatever minimum may be required to secure gentlemen's passing grades. Interspersed with various athletic and social activities, consisting of a number of courses the contents of which are banished from the student's mind immediately upon completion of the final examination, and calling for very little reading (frequently of nothing but at best indifferent textbooks), this upper division program adds little to what has already been acquired. This is true for the very best colleges in the country; what is achieved in the overwhelming majority is markedly less. And to all of them Robert M. Hutchins' remark applies: "One of the easiest things in the world is to assemble a list of hilarious courses offered in the colleges and universities of the United

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States. Such courses reflect the total lack of coherent, rational purpose in these institutions."[84]

It could perhaps be argued that in the case of this "gentleman" third of the student population all this does not much matter—the students involved are only interested in the bachelor's *degree* and nothing else. But the situation becomes truly dramatic when what amounts to approximately another third of the college graduates are considered, those who go through college in order to embark upon the difficult and responsible career of teaching and/or educational administration in the elementary and secondary schools. What kind of education do our educators get? A harsh answer to this question was given by Lawrence A. Kimpton during his tenure as Chancellor of as leading an institution as the University of Chicago: "The schools of education that train teachers and generate the curriculum for the secondary schools are upon the whole a pretty shabby lot, very often divorced from the main body of the university and with dubious standards and frail contents."[85] And another observer sums up his extensive studies of our teachers' education by stating that "there is increasing evidence to show that the teacher-training institutions—which have in the words of the Harvard Report, 'taught everything except the indispensable thing, the love of knowledge'—are providing us with teachers who are our most poorly educated citizens."[86] This finding is corroborated by an entire series of tests and surveys ranking different college departments by the general intelligence of the students who choose them as fields of concentration. All of these studies show education to be at bottom of the distribution. "An obvious explanation for this ordering is that it reflects the varying difficulty of the subjects *as they are usually taught at the undergraduate level.* The order has, in fact, been found to be substantially correlated with the reputations for difficulty

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84 *Op. cit.*, p. xiii.

85 Quoted in Council for Basic Education, *Bulletin*, February 1960, p. 5.

86 Mortimer Smith, *The Diminished Mind: A Study of Planned Mediocrity in Our Public Schools*, Chicago, 1954, p. 87.

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that these fields enjoy among undergraduate students."[87] Nor could it be otherwise: the curriculum of an aspiring teacher or school administrator is filled with an entire gamut of courses the intellectual vacuity, triviality, and tedium of which are proverbial. Instruction in subject matter cultivates pretentious ignorance, "like the summer course in one teachers college which deals with World Literature from ancient times to the twentieth century—all in thirty days."[88] And the preoccupation with "how to teach?" pushes all concern with "what to teach?" into the background. The compulsion to take these assorted courses, "workshops," and seminars in order to be eligible for certification, assures the schools of education of a captive audience, and "in this fact friendly critics see tendencies toward what would promptly be stamped as a crass and vulgar racketeering in less humane activities."[89]

The nature and quality of education for educators can be perhaps best assessed by getting an idea of the basis on which the highest educational degrees are conferred. Thus the country's leading school of education, Teachers College of Columbia University, awarded doctorates of education to candidates who presented dissertations on the following topics:

The Cooperative Selection of School Furniture to Serve the Kindergarten through Third Grade Program in the Garden City Public Schools.

A Guide for Initiating School Camping with Special Reference to Bronxville.

A Suggested Methodology to Formulate a Composite Ideal Image of the Professional Nurse.

A History of Competitive Rowing in Colleges and Universities of the United States of America.

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87 Carl Bereiter and Mervin B. Freedman, "Fields of Study and the People in Them," in Nevitt Sanford, *op cit.*, p. 564. (Italics added.)

88 Mortimer Smith, *op. cit.*, p. 93.

89 Edgar W. Knight, "The Obligation of Professional Education to the Schools," *School and Society*, October 6, 1951 (as quoted in Mortimer Smith, *op. cit.* pp. 91-92, where the information is supplied that the writer was until his death in 1953 Kenan Professor of Educational History at the University of North Carolina).

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At Michigan State University, dissertations submitted in fulfillment of the requirements for the highest degree in education included the following:

An Evaluation of Thirteen Brands of Football Helmets on the Basis of Certain Impact Measures.

An Investigation of Various Methods Used in Football-Helmet Evaluation.

A Study of the Personality Differences Between a Group of Women Who Had Participated in Sewing Classes in an Adult Education Program and a Group of Their Friends and Neighbors Who Had Not Participated in Any Adult Education Activities.

The University of North Dakota conferred its highest degree in education for a thesis entitled *Selected Major Issues in Teaching First-year Typewriting;* while the weighty purpose of a doctoral study at the University of Indiana was "to determine what influence the teachers' and pupils' use of laughter and smiling may have upon teacher effectiveness."[90]

It might be objected that these cases are deplorable exceptions and therefore provide no basis on which to judge the activities of the schools of education. Unfortunately, such an objection would be unwarranted. For one thing, the utterly inane listings in the announcements of courses offered, and of dissertations accepted, by schools of education could be readily multiplied. But even more important is the fact that it is often precisely what Ricardo called the "strong case" and what in common parlance is likely to be dismissed as "exaggeration" that throws the most light on a phenomenon under investigation. The strong case, the exaggeration, call attention to underlying conditions which might otherwise go unnoticed. And so it is here: they enable us to see the school of education as what it

90 Council for Basic Education, *Bulletin,* January, March, November, 1960; May, December, 1961. The U.S. cultural impact on the "free world" is suggested by the following observation: "We saw a not irrelevant UPI dispatch the other day from Japan, which country has. . .been liberally supplied with American guidance. Apparently they have learned their lessons well, for the newspaper account stated that Assistant Professor Tosie Otsuka of Shimane University has just received her doctor's degree with a thesis on the subject of Dish Washing." *Ibid.,* March 1961.

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is, "the intellectual slum of the campus and a legitimate target for faculty jokes."[91]

Little needs to be said about the instruction received in the upper division of college by the nearly 15 percent of the student body who concentrate in the field of "business and commerce." Providing training in accounting, marketing, advertising, typewriting, and similar subjects, this is a strictly vocational course which has no connection with humanist education and which in the view of many has no place in the curriculum of a liberal arts college. It is, in fact, offered primarily by state and communally supported institutions, with the more reputable private institutions priding themselves on not stooping to programs of this kind.[92] These business and commerce branches of the colleges may or may not serve as useful stepping stones to employment in business—there is considerable doubt on the point, even among businessmen—but by no stretch of the imagination can it be maintained that the information and skills which they purvey widen the horizons or enhance the intellectual powers of their students.

The remaining one sixth or so of college students spend their junior and senior years on pre-professional subjects of various kinds. In the case of many, their training terminates with a bachelor's degree in engineering, applied science, agronomy, and the like. Others go on to graduate studies in the professional schools (law, medicine, etc.) or in the graduate schools of arts and sciences where for the most part they prepare themselves to become teachers and researchers in colleges and universities or to assume research or administrative posts in government agencies, private foundations, and industrial laboratories. Whatever the goal of their studies in the junior and senior years, the instruction received by this segment of the student body is considered by experts in the various fields to be

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91 *Ibid.*, February 1960, p. 5.

92 With somewhat less than full consistency, these very same elite educational establishments maintain graduate schools of business. Despite the fact that their curricula have in recent years been fancied up by inclusion of courses in economic theory, statistics, "managerial science," and the like, their *raison d'être* within the farmework of a university is hardly less dubious than that of their undergraduate counterparts in the colleges.

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fair to excellent depending on the institution in question. Here, it is generally conceded, American education is at its best.

And yet one cannot but have strong reservations about the quality of the education received even by this privileged group. There is an increasing tendency for specialization to start early and to pre-empt more and more of the student's time and energy. Jibes about specialists who know more and more about less and less strike all too close to home, and swelling laments over the deepening gulf that separates the sciences from the humanities are all too well founded. As is inevitable within the general framework of monopoly capitalism, even the very best products of the educational system tend to be "science barbarians" and "high-IQ imbeciles." This is not to say that the American educational system does not turn out thoughtful and truly educated people. Their number is, however, distressingly small, and the individuals involved attain a level of intellectual excellence not *because* but *in spite* of the educational system, not as a result of, but in a bitter struggle with, the prevailing cultural and intellectual climate. That they succeed at all testifies that even under the most adverse circumstances mankind's striving for knowledge and understanding cannot be entirely thwarted. Their existence under present conditions provides a hint of what a good educational system could accomplish in a good society.

In sum, the state of education is dismal for the nation as a whole. Few of those who complete 12 years of public education emerge as more than half-way literate and educated individuals—not to speak of the large proportion of the drop-outs who never graduate from high school. Nor is it significantly different when it comes to the luckier ones who are able to make their way up to and through college. At best a tiny minority of college students receives what might be considered a rational and rigorous humanist education, and there is "much evidence that colleges rarely succeed in bringing about important changes in attitudes or values and that the main effect of four years of college is to make students more like one another."[93] As

93 P. E. Jacob, *Changing Values in College,* New York, 1957, as quoted in Nevitt Sanford, *op. cit.,* p. 13.

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Robert M. Hutchins inquires on the basis of his rich experience and extensive study: "Why are the graduates of the great universities indistinguishable, even by their grammar, from the mass of the population who have never had their advantages? Their grammar may perhaps be accounted for by the deficiencies of the American schools, the ineradicable marks of which are borne by our fellow countrymen to their dying day. But what about the intellectual interest, the willingness and ability to reason, the independence of thought and character . . .?"[94] None of these *essential* traits of an *educated* person are acquired by the overwhelming majority even of that narrow elite of the university graduates who succeed in reaching the heights of the academic ladder and end up with doctorates (and eventually professorships) in *bona fide* academic fields. In fact, the chances are large that the stresses and strains of the hard work associated with achievement in the exacting areas of mathematics, sciences, and technology deprive even the academically most distinguished products of our university education of opportunities for developing the fundamental qualities which Hutchins rightly associates with being educated. In our entire educational system, from bottom to top, there is no room for the formation and cultivation of the *intellect,* for the emergence and flowering of the individual who is capable of an intelligent, critical approach to the surrounding world, who was taught and has learned to think of the present as history. And the vast majority, those who receive nothing but a perfunctory secondary education or manage to procure an indifferent college degree, go into life unable to think clearly, knowing less and less about more and more, and void of all respect for the intellect and for the accumulated knowledge and wisdom of mankind.

The burst of anxiety over the educational system which was triggered off by the Soviet Union's launching its Sputnik in the autumn of 1957 is itself an aspect of the social condition which the state of education faithfully mirrors. With a few notable exceptions, those who have joined the fashionable parade of critics of American education are least of all concerned with its

94 *Freedom, Education, and the Fund: Essays and Addresses, 1946-1956,* New York, 1956, p. 76.

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"intellectual and moral degradation"—to use an expression of Hutchins.[95] Their preoccupation is not with the massive and cruel destruction of human abilities and potentialities which the educational system both reflects and helps to perpetuate. Only some 25 years ago, when the educational situation was no better than it is today, "government and business were largely indifferent to education. They did not finance it, because they saw no reason why they should. Their only interest . . . was in keeping teachers from arousing the students to any desire for social change."[96] What supplements this interest in preserving the status quo is the mounting awareness of the urgent requirements of the military and corporate juggernauts that dominate American society today. These requirements do not call for a more rational and humanist *education of the people*—indeed, they militate against it. What they do demand is on the one hand an adequate supply of suitably qualified technical personnel, and on the other hand a satisfactory number of first-rate scientists. To secure both it is not necessary to educate the masses; an appropriate *training* of the most promising, high-IQ minority is all that needs to be organized.[97]

Accordingly, the emphasis of the present drive to raise educational standards in schools and colleges centers primarily on the so-called "gifted" child. Although "this 'gifted'-child program is servicing upper-income groups almost exclusively,"[98] our educational statesmen do not hesitate to recommend it as the most promising avenue to an educational "breakthrough." Thus the distinguished authors of the recent Rockefeller Brothers

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95 *Ibid.*, p. 16.

96 Robert M. Hutchins, *The Higher Learning in America*, Preface to the Paperbound Edition, 1962, p. x.

97 The exploitation of the fruits of the current "scientific-industrial revolution," both in industry and in the military establishment, does not seem to depend on the improvement of the literacy and skills of the *entire* labor force, but rather on the availability of a relatively small number of highly trained professionals—scientists and engineers—and of a narrow stratum of qualified mechanics and foremen. The skill requirements for the ordinary worker may, in fact, be declining as his task becomes inceasely routinized and reduced to the simplest operations. Cf. the illuminating discussion of this problem in James R. Bright, *Automation and Management*, Boston, 1958, pp. 176 ff.

98 Patricia Gayo Sexton, *op. cit.*, p. 60.

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Fund report on education compose a good deal of purple prose about "our" commitment to the "dignity of the individual," to his "intellectual, moral and spiritual growth," to "equal opportunity for all"—only to end up with the lament "that our society has given too little attention to the individual of unusual talent or potentialities." This deficiency is to be mended now by the "pursuit of excellence," and for the benefit of those who may suspect that this "pursuit" will erect an unsurmountable bar to the education of the common man it is added: *"Our conception of excellence must embrace many kinds of achievement at many levels.* . . . There is excellence in abstract intellectual activity, in art, in music, in managerial activities, in craftmanship, in human relations [sic!], in technical work."[99] Could there be a better formula for letting the ditchdigger "pursue excellence" in digging ditches, while conferring further privileges on the already privileged few?

It is to the credit of Mr. Conant who has conducted a comprehensive inquiry into the state of the educational system, to have eschewed all this high-sounding phraseology, and to have admitted frankly that his interest is in the 15 to 20 percent of all high school students whom he classifies as "academically talented." Having established that "the percentage of young men who are preparing to be doctors, lawyers, engineers, scientists, scholars and teachers of academic subjects is about the same in this country as in Europe . . . something like 6 per cent of an age group,"[100] he lavishes all his attention and solicitude on this elite. The "academically talented," he feels, should be given a break: *they* should be more challenged, *their* program of academic subjects should be intensified and broadened, *they* should be taught more foreign languages, and *they* should be induced to work harder at school.[101]

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99 Rockefeller Brothers Fund, Inc., *The Pursuit of Excellence: Education and the Future of America,* Garden City, New York, 1958, Chapters 1 and 2. The last sentence is to be found on p. 16. (Italics in the original.)

100 James Bryant Conant, *The American High School Today: A First Report to Interested Citizens,* New York, Toronto, London, 1959, p. 3.

101 We are not suggesting that severe selectivity and even programs for so-called gifted children may not be indicated under certain circumstances. Thus a poor society, just emerging from the state of backwardness, may be *unable to afford* high quality mass education. But surely if

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To the remaining 80 to 85 percent Mr. Conant's approach is quite different. His prescription for the *plebs* is "meaningful sequences of courses leading to the development of marketable skills." These courses should be designed with the help of "advisory committees composed of representatives of management and labor," and while the students enrolled should also get some instruction in English, social studies, and the like, no undue stress is to be placed in their curricula on academic subjects. In fact, as far as these students are concerned, the existing educational system is found to be on the whole satisfactory. What worries Mr. Conant about these boys and girls whose years at high school are spent on taking courses in stenography, typing, the use of clerical machines, home economics, building trades, retailing, and automobile servicing is not that they are not receiving any *education,* but that a large proportion of them—and a majority of the Negroes—find no employment upon dropping out or graduating from high school. "As I write in June, 1961, the unemployment rate nationwide is something over 7 percent for all age brackets, but unemployment among youth under twenty-one years of age is about 17 percent, or more than twice the nation-wide rate for all workers. These young people are my chief concern, especially when they are pocketed together in large numbers within the confines of the big city slums. What can words like 'freedom,' 'liberty,' and 'equality of opportunity' mean to these young people? With what kind of zeal and dedication can we expect them to withstand the relentless pressures of communism?"[102] It is not that "these young people" as well as those who are more fortunate in finding employment remain illiterate and ignorant that is Mr. Conant's "chief concern"—it is only their possibly weakening resistance to Communism, their possible turning into "social dynamite."

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the Soviet Union can economically sustain "mass education very nearly at the level of excellence of the European upper-track secondary school and scholastically well above the level of the usual American college-preparatory high school" (H. G. Rickover, *op. cit.,* p. 177), the United States could support, in material terms, an even more ambitious educational system without resorting to educational rationing.

102 James Bryant Conant, *Slums and Suburbs: A Commentary on Schools in Metropolitan Areas,* New York, Toronto, London, 1961, p. 34.

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Once more, it is to Mr. Conant's credit to have presented clearly and without embellishments the ruling class's real interest in the state of education. His brutal realism certainly sheds much more light on the prevailing condition than all the vacuous verbiage about the "dignity of the individual" and the "spiritual elevation of free men." And yet it is the most shattering testimonial to our society's cultural bankruptcy when a former president of one of the country's greatest institutions of higher learning unceremoniously disposes of 80 to 85 percent of the nation as "ineducable"—declaring with equal readiness that "a sense of distasteful weariness overtakes me" when it is suggested that we need to say what we mean by education. Dr. Conant, for his part, is "ready to define education as what goes on in schools and colleges."[103] If this is not an utter, unqualified repudiation of the entire humanist tradition of mankind, then pray what is?

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103 Quoted in Council for Basic Education, *Bulletin*, January 1960, p. 3.

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(*Continued from Inside Front Cover*)

awakening of our young people and I can think of no better source for such an awakening than through the pages of *MR*. Of all the many (and there are many) periodicals I take, the *Monthly Review* is by far the best. For concise, objective, informative, and lucid interpretation of national and international affairs, yours is without a peer.

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10 ($30) one-year gift subs in my name to 8 schools or institutes of your choice. The other two subs to ..... High School Library, and Miss ..... who will be going to Occident College this fall.

We have been helped in our drive for younger readers by Jane Wittman, an Antioch College student, who has been working at the *MR* office since April. A fine worker, too, and we shall miss her when she returns to her academic studies.

Helen and Scott Nearing, recently returned from an extended tour in eastern Europe, are putting the finishing touches on their new book, *Socialism in Practice: A Report on East Europe*. It will be published in the autumn by New Century Publishers.

One of the most important peace actions during the next few months will be the Senatorial campaign of Stuart Hughes in Massachusetts. Hughes, a Professor of History at Harvard and grandson of the late Chief Justice Hughes, is taking an excellent stand on foreign policy issues and deserves all the help he can get. What is especially needed is money. All contributions should be sent to Hughes for Senate Committee, 56 Boylston Street, Cambridge 38, Mass.

Our letter of the month comes from Santiago:

Monthly Review is for us, Chilean socialists, a new and different face of the United States. We see it as the voice of socialists and progressive Americans who, like us, are fighting for a better and healthier U.S. participation in Latin American destiny.

The next issue of *MR* comes to you in September. Happy vacation!

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